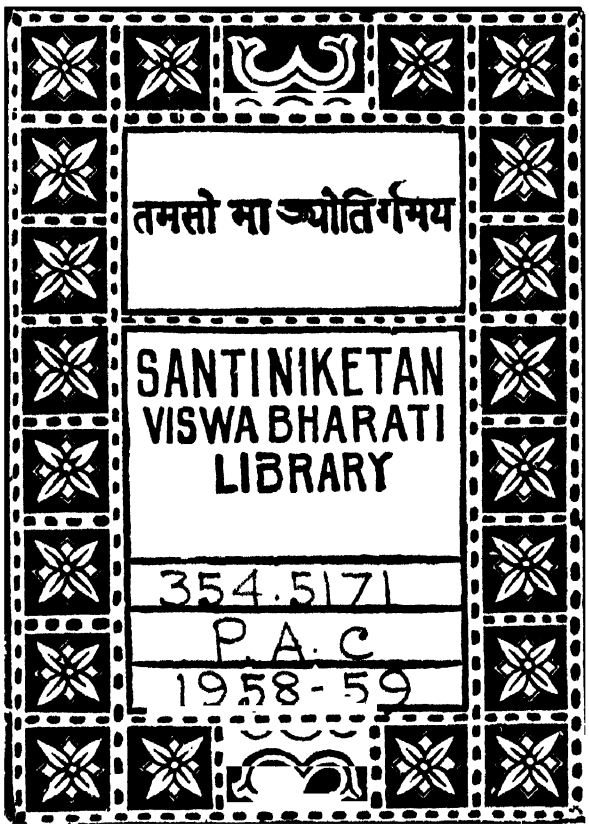

तमसो मा ज्योतिर्गमय
SANTINIKETAN
VISWA BHARATI
LIBRARY
354.5171
P.A.C
1958-59

P.A.C. No. 38-I

PUBLIC ACCOUNTS COMMITTEE
1958-59

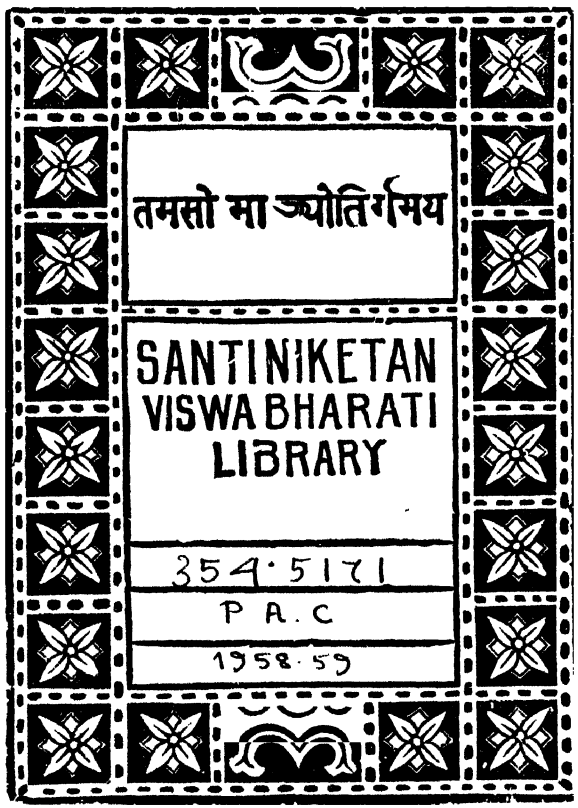
FIFTEENTH REPORT

(SECOND LOK SABHA)

(Appropriation Accounts (Railways), 1955-56 and 1956-57
and Audit Reports (Railways), 1957 and 1958)

VOL. I—REPORT

LOK SABHA SECRETARIAT
NEW DELHI
April, 1959
Price Rs. 1.90 nP.


तमसो मा ज्योतिर्गमय
SANTINIKETAN
VISWA BHARATI
LIBRARY
354·5171
P A C
1958·59

CONTENTS

	PAGES
Composition of the Public Accounts Committee, 1958-59	(iii)
PART I	
Introduction	v-vi
Chapter I— General Review of the Financial working of Railway during the years 1955-56 and 1956-57	1
Chapter II—Budgeting and Control over Expenditure	2-3
Chapter III—Losses, Nugatory Expenditure, Financial Irregularities and other topics of interest	4—34
Chapter IV— Outstanding Recommendations	35—43
PART II	
*Proceedings of the Public Accounts Committee—	
Eighth Sitting—Railway Accounts	47—55
Ninth Sitting—Railway Accounts	56—61
Tenth Sitting—Railway Accounts	62—68
Eleventh Sitting—Railway Accounts	69—79
Twelfth Sitting—Railway Accounts	80—86
Fourteenth Sitting—Railway Accounts	87—96
Twenty-third Sitting—Railway Accounts	97-98
Thirty-second Sitting—Railway Accounts	99—101
Fourty-eighth Sitting—Railway Accounts	102
†APPENDICES	
I. Statement showing action taken or proposed to be taken on the outstanding recommendations of the Public Accounts Committee (Railway Accounts).	105—127
II. Summary of the main conclusions/recommendations of the Fifteenth Report of the Public Accounts Committee . .	128—139

*dings of other sittings relate to Civil Accounts, etc. which have been dealt with ...ive reports of the Public Accounts Committee.

†Appendices referred to in the body of the Report are being printed separately as

PUBLIC ACCOUNTS COMMITTEE, 1958-59

*Shri N. G. Ranga—*Chairman.*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri T. Sanganna
8. Shri Upendranath Barman
9. Shri Prabhat Kar
†10. Shri Raghubar Dayal Misra
11. Shri H. C. Dasappa
12. Shri Khushwaqt Rai
13. Shri N. Siva Raj
14. Shri Aurobindo Ghosal
15. Shri Jaipal Singh
16. Rajkumari Amrit Kaur
17. Shri Amolakh Chand
18. Shri T. R. Deogirikar
19. Shri S. Venkataraman
20. Shri M. Govinda Reddy
21. Shri Rohit Manushankar Dave
22. Shri M. Basavapunnaiah.

SECRETARIAT

Shri S. L. Shakdher—*Joint Secretary.*

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

*Shri N. G. Ranga was appointed as Chairman of the Committee on the 11th September, 1958 for the unexpired portion of the term of the Committee ending on the 30th April, 1959 *vice* Shri T. N. Singh resigned from Lok Sabha.

†Elected on the 23rd September, 1958 *vice* Shri T. N. Singh resigned from Lok Sabha.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Fifteenth Report on the Appropriation Accounts (Railways) 1955-56 and 1956-57 and Audit Reports (Railways) 1957 and 1958.

2. The Appropriation Accounts (Railways) 1955-56 and 1956-57, together with Audit Reports thereon were laid on the Table of the Lok Sabha on the 13th September, 1957 and 18th August, 1958* respectively. The Committee examined these Accounts etc. at their sittings held on the 18th, 19th, 21st, 22nd, 23rd and 25th July, 4th September, and 2nd December, 1958.

3. A brief record of the proceedings of each sitting of the Committee has been maintained and forms part of the Report (Part II).

4. The Committee considered and approved this Report at their sitting held on the 4th April, 1959.

5. A statement showing the summary of the principal recommendations of the Committee is appended to the Report (Appendix II).

6. The Committee examined separately the excesses over Voted Grants and Charged Appropriations disclosed in these Accounts and commented thereon in their 9th Report, presented to Parliament on the 9th September, 1958.

7. In Chapter III of this Report, the Committee have dealt with a number of irregularities brought to light through the Audit Reports. *Some of the cases disclose regrettable delays and failure to follow the prescribed procedure on the part of Railway Administration which resulted in considerable loss of revenue or wasteful expenditure.* In one case a siding was provided for the convenience of a company in March, 1950 without settlement of the terms in advance as prescribed in the rules. Although 9 years have elapsed no settlement has yet been reached. Stores were not inspected by the Railway Inspecting Officers in time as a result of which the Railway had to pay heavy compensation to the contractors. In another case, on the plea of urgency stores were purchased at higher cost directly from a firm with which the D.G., S. & D. had entered into a running contract for the same stores.

*The examination of the Audit Report, 1958 was undertaken by the Committee in pursuance of a ruling given by the Speaker on the 24th November, 1950.

8. In para 27 of their 4th Report (Second Lok Sabha) the Public Accounts Committee referred to an important question *viz.* standardisation of the rates of siding charges on all the Railways. The basis of the levy of siding charges on Railways had varied from Railway to Railway and even between one siding and another on the same Railway. The Committee were then informed that the matter was under consideration for the last three years or so and the change over would be effected gradually. *The absence of standard rates had resulted in endless disputes and consequent delay in recovery, and loss.*

9. The Committee have been impressing upon the departments of Government the need for proper care and caution while finalising terms of contracts with suppliers. The Audit Report disclosed a case where an officer of the Directorate of Supply and Disposals negotiating a contract had gone out of his way to include liberal provisions and escape clauses in the contract agreement in favour of the supplying firm which resulted in loss to Government. In another case, the I.S.M., Washington did not invoke the provisions of the penalty clauses in the contract against the supplier for not complying with the terms of the contract. *The Committee are disturbed at these acts of omissions and commissions. In their opinion, Government should take urgent steps to review the procedure for purchase of stores both in India and from abroad in the light of their past experience and tie up the loose ends.*

10. The Committee place on record their appreciation of the assistance rendered to them in their examination of these Accounts by the Comptroller and Auditor General of India.

NEW DELHI;
Dated 4th April, 1959.
Chaitra, 14, 1881 (Saka)

N. G. RANGA,
Chairman,
Public Accounts Committee.

I

GENERAL REVIEW OF THE FINANCIAL WORKING OF RAILWAYS DURING THE YEARS 1955-56 AND 1956-57

During the year 1955-56 two important events took place, *viz.* revision of the Separation Convention as recommended by the Railway Convention Committee, 1954 and the formation of the Seventh Zone namely the South Eastern Railway.

Financial Results

2. *Receipts.*—During the years under review the gross traffic receipts amounted to Rs. 3,16·29 crores and Rs. 3,47·57 crores against the budget estimates of Rs. 2,92 crores and Rs. 3,45 crores, respectively. In 1955-56 there was an increase of Rs. 23.79 crores, in 1956-57 the receipts were Rs. 2·57 crores more than the estimates.

Working Expenses.—In 1955-56, the ordinary working expenses, excluding appropriation to Depreciation Reserve Fund and payments to worked lines were Rs. 2,52·89 crores which exceeded the budget by Rs. 5·17 crores. In the next year these expenses amounted to Rs. 2,73·02 crores and exceeded the estimates by Rs. 10·96 crores.

Depreciation Reserve Fund.—The appropriation to Depreciation Reserve Fund was raised to Rs. 45 crores in the revised estimates for the year 1955-56. This was repeated in 1956-57 also.

Development Fund.—Out of the surplus of Rs. 14·22 crores at the end of 1955-56, a sum of Rs. 7·14 crores was appropriated to the Railway Revenue Reserve Fund and the balance Rs. 7·08 crores was allocated to the Development Fund. During 1956-57 a sum of Rs. 20·22 crores representing the surplus at the end of the year was allocated to the Development Fund.

Operating Ratio.—The operating ratio for the year 1956-57 was 79·90 as against 81·95 for the previous year.

II

BUDGETING AND CONTROL OVER EXPENDITURE

Savings over Voted Grants and unnecessary Supplementary Grants

3. The Committee have dealt with the cases of excesses over Voted Grants and charged Appropriation in respect of the Accounts under examination in their Ninth Report (Second Lok Sabha). The Accounts disclosed also savings over Final Grants under a number of Demands—18 and 14 cases during the years 1955-56 and 1956-57 respectively. The following table shows the net savings (separately under Revenue and Capital) during these years as comparted with the previous year (194-55):

(in lakhs of Rupees)

Year	Total Grant and Appropriation	Saving or Excess	Percentage of Col. 3 to Col. 2
1	2	3	4
Expenditure met from revenue			
1954-55	3,36,42	(—)6,95	2·07
1955-56	3,59,64	(—)3,30	·92
1956-57	3,95,30	(—)8,26	2·09
Expenditure met from Capital, Depreciation Reserve Fund, Revenue Reserve Fund and Development Fund.			
1954-55	2,82,32	(—)6,15	2·18
1955-56	3,39,22	(—)15,51	4·57
1956-57	4,27,41	(—)26,43	6·18

The above savings indicate that, except in the case of expenditure met from Revenue in 1955-56, the percentage of savings has shown an upward trend.

4. The Committee examined in detail the major items of savings over Grants. It came to their notice that in five cases (Grants Nos. 3, 12-A and 16 during 1955-56 and Nos. 2 and 20 in 1956-57) the Ministry of Railways obtained Supplementary Grants from Parliament although they did not spend even their original appropriation. This disclosed, in the Committee's view, lack of proper planning and control over the progress of expenditure. *The Committee were informed that (in pursuance of their recommendation made in their report on the Accounts for 1927-28) the Ministry of Railways had issued instructions for the maintenance of "Liability Registers" by the various disbursing Departments for knowing at any point of time the progress of expenditure and commitments incurred. It was surprising how despite the "Liability Registers", the Ministry of*

Railways were not in a position to assess their total requirements accurately and regulate their supplementary demands accordingly.

5. In evidence, the representative of the Ministry of Railways informed the Committee that the savings and non-utilisation of supplementary grants in most of the cases were due to non-receipt of stores and the debits therefor in time from Indian Purchase Missions abroad. The Committee enquired into the reasons for the delay in those cases. They learnt that at present the D.G., I.S.D., London was not furnishing to the Ministry of Railways information regarding the availability of stores and shipments made at periodic intervals. *They felt that if the purchasing organisations abroad furnished such reports to the indenting Ministries every fortnight from the end of January and weekly reports in the month of March, it would keep the indenting Ministries informed of the latest supply position and enable them to estimate their financial commitments more precisely. The Committee, therefore, suggest that the Ministries of Railways and Works, Housing and Supply might examine this suggestion and evolve a procedure in this regard.*

6. While on the subject of savings over Voted Grants, the Committee came across a credit entry against Grant No. 14-A, Withdrawal from the Revenue Reserve Fund during the year 1955-56. The Committee wanted to know whether the *ad hoc* rules of allocation to and from the Revenue Reserve Fund, which were formulated during the war, could still be followed even after the Railway Convention Committee (1949) had indicated the purpose for which the Fund could be utilised. They were informed that the recommendation of the Convention Committee related to future transactions and that works etc. which were sanctioned when the old rules were in force would continue to be regulated by old rules. The Comptroller and Auditor General did not subscribe to this view. *The Committee desire that Government should place the matter before the next Convention Committee so that they could indicate the precise scope of their recommendations* vis-a-vis *works in progress.*

III

LOSSES, NUGATORY EXPENDITURE, FINANCIAL IRREGULARITIES AND OTHER TOPICS OF INTEREST

Southern Railway—Excessive rates for handling work paid to a contractor at a Station—Para 7 of Audit Report, 1957

7. Due to inadequate facilities for transhipment of goods from Broad Gauge to Metre Gauge and non-availability of sufficient number of Metre Gauge wagons at a time at Arkonam Station on the Southern Railway, restrictions had to be imposed on the movement of traffic and the Broad Gauge wagons were detained many a time. A 'Dump Shed' was, therefore, constructed in 1955 at Arkonam with a holding capacity of about 200 Metre Gauge wagon loads for holding goods until Metre Gauge wagons became available.

8. A handling contract for a period of three years from the 1st November, 1955 was awarded to the lowest tenderer at the rate of 15½ annas per ton. The agreement stipulated, however, that if reloading was undertaken after 24 hours of unloading, it should be treated as a new operation and paid for again at the rate of 15½ annas per ton. The contractor's bills paid by the Railway Administration showed that the bulk of the operations was of the latter type involving two separate payments. The extra payments thus made from November, 1955 to March, 1957 amounted Rs. 1,06,825. The contract was later terminated with effect from the 1st August, 1957 owing to unsatisfactory performance of the contractor.

9. In the course of evidence the representative of the Railway Board explained the distinction between a 'Dump Shed' and 'Transhipment Shed' and observed that this contract was the first in respect of a Dump Shed on the Southern Railway. It was added that although the contract was entered into after inviting competitive tenders, neither the contractor nor the Administration appreciated at the time of settling the rate for handling of goods at 15½ annas per ton, the two separate payments for operations of unloading and re-loading taking place at intervals of more than 24 hours in respect of the same goods.

10. The Committee desired to know why the Railway Administration did not refuse to entertain the bills presented by the contractor pending clarification of the matter. (This could have been done in February, 1956, as according to para 6 of the contract the contractor should present his claims within three months and if he did not, he would not get anything.) There was no specific answer

to this. It was, however, admitted that there had been extra payment in this case and a Departmental Enquiry Committee had been appointed to go into this case. In reply to a question why the Railway Administration did not consider terminating the contract, the Committee were informed that it was not possible to do so as the contract was for a definite period and the break clause in the contract could be invoked only in case of unsatisfactory service.

The Committee are surprised at this explanation. In this connection, they would draw attention to para 68 of the 10th Report (1953-54) recommending that "a clause providing for revision in the agreement, whenever considered necessary according to circumstances, by the contracting parties should invariably be made in all such agreements entered into by Government in future." *They regret to observe that the Railway Administration, one of the biggest Departments of Government entering into a number of contracts with private parties should have overlooked this recommendation.*

11. The Audit para also disclosed that the concurrence of the F.A. and C.A.O. had not been obtained for the provisions of this agreement. In extenuation it was stated that an officer of the Accounts Department was on the Tender Committee and the standard form of the agreement had also been seen by the Dy. F.A. and C.A.O. It was, therefore, not considered necessary to consult the F.A. and C.A.O. again. *The Committee are not satisfied with this explanation for the omission on the part of the Railway Administration.*

12. The Committee trust that the Departmental Enquiry Committee appointed to examine this case would go into the circumstances leading to the extra payment and also the question of disciplinary action against the staff who were responsible for incorporation of the liberal provision for two separate payments in the agreement. *The Committee desire that the Railway Board should expedite action on this case, as the matter has already been considerably delayed and the findings of the Enquiry Committee furnished to them.*

Eastern Railway—Loss on account of damage to and deficiencies of stores and fittings in wagons—Para 8of Audit Report 1957

13. Heavy damages in respect of stores such as hose pipes and brake blocks were noticed in the wagons returned by certain colliery sidings. These wagons had been examined before despatch from the Railways by the Train Examiner. Losses occurred in wagons either at the time when they were in the custody of colliery owners or were lying within the Railway area. The losses incurred by the Railways on this account during the period August, 1955 to

February, 1956 amounted to Rs. 7,770. The losses for which the collieries were responsible could not be claimed from them for want of proper evidence.

14. During evidence the Committee were informed that the total loss sustained by the Railways upto date was Rs. 3·49 lakhs. While some of the collieries had already made payments (about Rs. 80,000 only), others had protested that the damages did not take place in their sidings. The matter was still under negotiation with the Colliery Siding Owners Association. The Railway Board were of opinion that once wagons had been despatched from the Railway to a colliery siding after proper examination, the latter should be made responsible for all the damages and deficiencies in the wagons. The siding owners on the other hand were stated to have demanded that they should be allowed to check the fittings of the wagons before they accepted any responsibility. As this would involve the detention of wagons at the sidings for an unusually long time the Railway Board were not agreeable to this suggestion. *The Committee hope that the Railway Board will pursue the matter vigorously with the Siding Owners Association and arrive at a settlement without loss of time. They would also like to be informed of the final settlement and the total recoveries effected from the Collieries at an early date.*

South Eastern Railway—Heavy arrears in the recovery of rent for Railway land leased to outsiders—Para 9 of the Audit Report, 1957.

15. Railway land in station areas at a number of stations such as Shalimar, Garden Reach and Cuttack was leased to private parties for use in the movement of their merchandise by rail. The agreement with the lessee provided for the recovery of occupation fees monthly/half yearly in advance, and for the appropriation of security deposits towards amounts due from them. In regard to Cuttack the Railway Administration was empowered to take recourse to summary proceedings to eject the defaulters under the Government Premises Eviction Act, 1950. Notwithstanding these safeguards, encroachments in a large number of plots took place as far back as 1948 and the recovery of rent from lessees was heavily in arrears. The extent of outstandings at the three stations mentioned above was over Rs. 2,05 lakhs.

16. In evidence the Committee were informed that a sum of Rs. 72,624 had been recovered and the arrears on 1st June, 1958 stood at Rs. 1,32,000. The Railways were taking steps to recover the balance. If negotiation and persuasion failed, legal proceedings would be initiated.

17. *The Committee regret to observe the laxity shown by the Railway Administration in the matter of prompt recovery of rent from the lessees in these cases. In their opinion, action to forfeit the*

security deposits should have been taken when the lessees defaulted consistenly for years. The Committee trust that the Railways will ensure the prompt recovery in all such cases in future.

North Eastern Railway—Delay in Revision of siding charges—Para 10 of Audit Report, 1957

18. A siding was provided by the Railway in 1926 from Tinsukhia station to an oil company for the carriage of oil products. Originally a lump sum charge of Rs. 6,000 a year was being recovered from the company but a special investigation in 1948 disclosed that the Railways had actually incurred an expenditure of Rs. 37,560 (Rs. 3,130 a month) during 1947-48 calculated on the basis of engine shunting hours and the special staff employed for the purpose. The siding charge was accordingly enhanced to Rs. 3,130 per month with effect from 1st January, 1949. The Company did not, however, accept the revised rate and challenged the basis of calculation of engine hours etc. Pending finalisation of the charges recoverable from the company, the Railway Administration decided on 8th October, 1949 to levy provisionally Rs. 1,855 p.m. from 1st January, 1949. This rate was, however, quite inadequate and the F.A. and C.A.O. proposed in December, 1954 that an additional amount of Rs. 1·66 lakhs for the period 1-1-49 to 31-10-54 might be recovered from the company representing the difference between the recoveries already made and the siding charge on the basis of actual shunting engine hours and the cost of shunting engines. A bill for this amount was accordingly made out in December, 1954 but was not preferred against the company in view of the considerable progress which was stated to have been made in the fixation of the siding charges.

19. The charges recoverable from the Company had not been finalised for two more years and it was only in 1957 that the Railway Administration issued a letter to the Company claiming a sum of Rs. 2·66 lakhs as siding charges for the period 1-1-49 to 31-12-56.

The following unsatisfactory features were noticed in this case:—

(i) within a year of the fixation of the rate at Rs. 3,130 p.m. the rate was revised to Rs. 1,855 p.m. provisionally (which was found to be inadequate).

(ii) The Railway Administration delayed the presentation of the bill to the Company for nearly 3 years on the plea that considerable progress in fixing the siding charges had been made, although it was not done for two more years.

20. The Committee were informed in evidence that the company had accepted the revised rates of siding charges and half of the amount had been recovered. For recovery of the balance also the Railway Administration did not anticipate any difficulties. In reply to a question why no review of siding charges was made during the period 1926 to 1948, it was stated that this portion of the line belonged to a private Company and was acquired only during the war years. As for the long time taken for fixing the revised siding charges after the investigation in 1948, no satisfactory explanation was given.

21. *The Committee deprecate the inordinate delay on the part of the Railway Administration in fixing the basis for calculation of siding charges, which resulted in an accumulation of heavy outstandings. As a commercial undertaking, the Railways should be business like in their transactions and prompt and quick in their settlement. Such unconscionable delays not only reflect on the working of the undertaking but make the chances of recovery more remote thus depriving the Railways of their legitimate dues. The Committee trust that the Railway Board will issue necessary instructions in the matter for future guidance.*

South Eastern Railway—outstanding freight bills against a firm—Para 11 of Audit Report 1957

22. A firm on the South Eastern Railway was authorised in May, 1951 to pay freight charges by credit notes on furnishing a security deposit of Rs. 25,000. Amounts due on the Credit Notes tendered by it upto January, 1952 were not paid in many cases and one cheque issued by the firm was also dishonoured. The total outstanding dues amounting to Rs. 18,596 were adjusted against the firm's security deposit in March, 1952 leaving a balance of Rs. 6,404 with the Railway. The credit facility to the firm was stopped in February, 1952.

23. Upto January, 1952 the firm also continued to get their coal wagons booked under the 'weight only' system unauthorisedly as its name was not included in the Coal Tariff. A bill for Rs. 13,433 on this account pertaining to August, 1951 remained unpaid. No steps were, however, taken to stop the firm's bookings till January, 1952 by which time the outstanding amount against the firm increased to Rs. 40,075. After setting off the balance of the security deposits of Rs. 6,404 with the Railway and an over-charge of Rs. 516, the net loss to the Railway amounted to Rs. 33,155. The firm was declared insolvent by the High Court on 4th April, 1952 and a claim for the

amount of Rs. 33,155 was made to the official assignee through the Railway solicitors in May, 1955 but there was no prospect of realising the amount. A Committee had been appointed to hold an enquiry and to fix responsibility of the staff in this case.

24. *The Committee would like to know the final decision of the Government in this case as well as the remedial measures which the Railway Board have taken to obviate the recurrence of such irregularities.*

Western Railway—Non-recovery of siding charges at revised rates—Para 12 of the Audit Report, 1957.

25. As a result of instructions issued by the Railway Board in February, 1947 the Western Railway Administration fixed the revised siding charges in February, 1950 to take effect from 1st April, 1950. The siding owners were, however, informed only in May 1951 to accept the revised charges with retrospective effect from 1st April, 1950. Only twenty siding owners accepted the revised rates from April, 1950 while four agreed to pay the revised rates from the dates of their acceptance. The amount outstanding for recovery from the latter from 1st April, 1950 to the date of acceptance amounted to Rs. 9,793. Twenty-five siding owners refused to accept the revised rates. The difference between the recoveries at old rates already made and recoveries due at revised rates from 1st April, 1950 to 31st August, 1953 amounted to Rs. 75,763.

26. The siding charges were again revised in September 1953 and formal notices for revision on this occasion were sent to the siding owners in August, 1953. The revision was accepted by all the siding owners except those whose agreements provided a notice period of six months; the latter accepted the revised rates from the 1st February, 1954 *i.e.* from the date of expiry of the notice period.

27. During the course of examination, the representative of the Railway Board informed the Committee that a sum of Rs. 4,000 had already been collected from the siding owners who formerly did not agree to the revised rates. Most of the other siding owners had also agreed in principle to pay at the revised rates, and recoveries were being effected. With regard to the delay of one year in Communicating revised siding charges to the siding owners in 1951, the representative could not enlighten the Committee as the relevant file on the subject was reported to be missing. It was, however, urged in extenuation that although the General Manager, Western Railway had ordered the revision of siding charges in February, 1950, elaborate details had to be worked out and the charges for each siding calculated on the basis of the revised rate approved for shunting engine hours in February, 1950, which took time.

28. *The Committee are unable to accept this plea as sufficient, as in their opinion the time lag of one year was excessive in relation to the work involved. They would suggest an enquiry into the case with a view to finding out the precise reasons for the delay. If the delay was due to neglect of duty, suitable action against the officials at fault would be necessary.*

29. *Even granting that some delay was inevitable, the Committee feel that the Railway Administration should have taken steps to caution the siding owners in time about the contemplated revision and communicate the actual amount payable after making necessary calculations as was done at the time of the second revision. Such a course would have avoided the controversy over the date of effect of the revised rates and facilitated the recovery.*

The Committee desire that this suggestion be examined by the Railway Board and a procedure evolved to be followed by all the Railway Administrations in such cases of revision of siding charges in future.

30. In this connection, the Committee wanted to know how long it would take the Railway Board in fixing uniform rates for siding charges over the entire Railway system which the Railway Board had expected to be completed by June, 1958. They were informed that substantial progress had been made in regard to the implementation of the standard basis for siding charges on all Railways. However, on the South Eastern and Eastern Railways there were some difficulties, besides others, in fixing the minimum time for each shunting operation for each siding which was the basis of the siding charges. Moreover, in some cases on Eastern Railway the problem had peculiar features and required careful examination. The traders had disclosed a preference for the existing system even when the aggregate charges were more than those payable under the revised system. *An assurance was, however, given to the Committee that every endeavour would be made to complete the work of standardisation by 1st April, 1959.*

31. *The Committee welcome this assurance. While they appreciate the difficulties in devising a uniform pattern, they are firmly of the opinion that with the integration of all the Railways into a single system nearly a decade back, the disparities in the levy of siding charges is an anachronism causing complications and endless disputes depriving the Railways of their legitimate dues. They, therefore, urge that the matter should not be delayed further and the date mentioned above adhered to.*

Eastern Railway—Loss owing to delay in the introduction of revised rates for goods traffi—Para 13 of the Audit Report, 1957.

32. In February, 1955 the Railway Board informed the Railways their intention to revise the rates for goods traffic with effect from 1st April, 1955 and asked them to get the necessary instructions drafted ready for issue on receipt of final orders. Final orders were issued by the Railway Board in March, 1955 and the Eastern Railway in turn issued instructions enforcing the revision with effect from 1st April, 1955.

33. The revised rates for goods traffic could not, however, be enforced from 1st April, 1955 in the case of sidings for coal, coke and patent fuel, as in these cases the charges had to be calculated afresh and expressed as a lump sum rate per ton. The revised rates in these cases were, therefore, introduced with effect from 27th June, 1955 *i.e.* after a delay of about three months resulting in loss of earning of approximately Rs. 10.000/-.

34. Explaining the circumstances for the delay of about 3 months the representative of the Railway Board stated that siding charges and goods tariff rates were entirely different and normally the siding charges were not based on changes in the latter. They are based on the cost for shunting and the time it took. But in this case the revision in goods tariff introduced from 1-4-1955 had an indirect effect on the siding charges which fact was not appreciated till 20th April, 1955. Certain data had to be collected thereafter and the rate as recalculated was enforced from 27-6-1955.

35. It was urged in extenuation that the delay was attributable to some extent to the lack of experience and training of the staff which was the result of frequent changes, transfers, promotions etc.

36. This is another case where the revised rates were not enforced from the specified date because of certain procedural delays. *In the Committee's opinion the delay in this case was more serious as it placed the Administration in the embarrassing position of not giving effect to a proposal as approved by Parliament. The Committee trust that, in future, the Railway Board will see that all tariff proposals are given effect to as approved by Parliament and the machinery should be geared accordingly.*

North Eastern Railway—Loss of materials issued to a contractor—Para 14 of the Audit Report, 1957.

37. A labour contract to the value of about Rs. 50,000 for construction of staff quarters on two sections of Gorakhpur District was awarded to a contractor in August, 1950. The contractor failed to complete the work but materials worth about Rs. 14,000 which were supplied between 1950 and 1952 but not utilised by him in construction work were not returned. The contractor denied having received the materials to this value. The Administration withheld his dues aggregating Rs. 11,829 and the Chief Engineer was taking action to recover the balance of Rs. 2,176 either from the contractor's dues, if any, or from the Inspector of Works responsible for issuing materials in excess.

38. In extenuation it was urged that although strictly according to the Rules the authorities responsible for the custody of stores should at the time of issue of material obtain receipts from the contractor, yet it was not practicable to do so in every case. In the present case no receipts for materials had been obtained as it was a contract for labour only and the material had to be supplied to the contractor at the site. Construction materials were unloaded from ballast trains at the site of work often at different points situated at long distances. The material placed at site continued to be the property of the Railways and until it was handed over to the contractor the former were responsible for its safe custody. In the present case, it had, however, been established on enquiry that the material had actually been handed over to the contractor for utilisation in construction work. The Comptroller & Auditor General pointed out that according to the provisions in the Railway Codes the Inspector of Works should have taken an acknowledgement for the receipt of the stores from the contractor.

39. The Committee are inclined to agree with the Comptroller and Auditor General. The explanation given by the representative of the Railway Board did not appear to be convincing. They were given to understand that disciplinary action had been instituted against the Inspector in this case recently. *The Committee deplore the delay in taking action in this case.*

40. *So far as the general question of the custody of materials at site is concerned the Committee consider it important that the responsibility for the safety of materials at site should be well-defined in unequivocal terms if it has not already been so defined, and instructions be issued to the officials concerned that the rules prescribed in this matter should be strictly complied with.*

North Eastern Railway—Loss owing to failure to inspect supplies in time—Para 15 *of Audit Report,* 1957 *and North Eastern Railway—Loss owing to failure to inspect supplies when offered—Para* 14 *of Audit Report,* 1958

41. The two paragraphs of the Audit Reports cited above disclosed irregularities of a similar type pertaining to the same Railway Administration. In the case referred to in the Audit Report, 1958, the D.G.S. & D. placed an order on the 22nd January, 1954 on a certain firm for the supply of 5910 c|ft. of 'Kanju Logs' to be delivered by 31st July, 1954. A copy of the acceptance of tender was also sent to the Sleeper Control Officer, N.E. Railway, to enable him to arrange inspection.

42. On the 23rd January, 1954, the firm tendered for inspection 2000 cft. of timber at each of three stations and another consignment of 1000 cft. at each of two other stations on 8th March, 1954. On the 18th March the firm informed the D.G.S. & D. as well as the Sleeper Control Officer, N.E. Railway, that the wood was susceptible to deterioration in hot weather and that the logs were likely to be of no use if immediate inspection was not arranged. On the 30th March and 12th April, 1954 the Sleeper Control Officer instructed the Sleeper Passing Officer to undertake inspection. Meanwhile, the suppliers again reported that no inspection had been carried out and that the logs would lie till the 31st July, 1954 at the risk of the purchaser. On the 21st April, 1954 the Sleeper Passing Officer visited two out of three stations. At one place there was no wood for inspection while at the other it was of an inferior quality. The officer did not visit the third station on verbal information from the agent of the firm that the store offered had been withdrawn. The officer submitted a report stating the above facts to the D.G.S. & D. on 29th April, 1954. The inspection scheduled for the other two stations on 30-4-54 was also not carried out on the verbal message from the Manager of the firm that the timber at those stations had deteriorated and was not worth inspecting. A report to this effect was also sent to the D.G.S. & D. on the 20th May, 1954 who instead of taking up the matter with the contractor referred it back to the inspecting officer seeking further clarification. The delivery date having expired by this time, the D.G.S. & D. extended it to 31st October, 1954 without consulting the supplying firm. The firm rejected the extension of the delivery period and charged the D.G.S. & D. for violation of the terms of contract by failure to inspect of the stores in time. In January, 1955 the firm requested for arbitration. The arbitrators unanimously held the Government responsible for breach of contract and awarded Rs. 15,000 against Government.

43. Later on 31st January, 1955 a contract was awarded to the same firm by the D.G.S. & D. for the supply of 8,000 cft. of Sal Logs to be delivered by the 30th April, 1955. An advance copy of the acceptance of tender was sent to the Chief Engineer, Sleeper Passing Branch. N.E. Railway. The firm tendered the goods for inspection on the 7th February, 1955 but the work could not be undertaken as a copy of the acceptance of tender had not been received by the inspecting authority. On 18-2-1955 the Inspecting Officer called for a copy of the acceptance tender from the D.G.S.&D. which reached him only on the 10th March, 1955. However, the inspection could not be arranged due to the pre-occupation of the inspecting staff with the work of other Railways till April, 1955. On the 19th and 24th April, 1955 the firm intimated orally to the inspecting authorities that the timber would not be offered for inspection as an extension of the delivery period had been asked for. Consequently, the inspection was not arranged.

44. On 3rd May, 1955, the firm notified to the D.G.S.&D. that the goods had not been inspected in time and that they would be sold at the risk and cost of Government. The firm disposed of timber and claimed damages from Government. The arbitration held the Government responsible for breach of contract and awarded Rs. 10,000 against Government. The award was contested in a court of Law, but was upheld by the court.

45. *The facts stated above clearly indicate that the cases were not properly handled and serious omissions and irregularities committed both by the Railway Administration and the D.G. S. & D. resulted in heavy losses to the State.*

46. The Committee desired to know as to why the contractor who failed to fulfil the contract in the first case was chosen by the D.G.S. & D. for the second time within a period of 3 months. The Secretary, Ministry of Works, Housing and Supply stated that a contractor who failed in one contract for reasons beyond his control might succeed in other cases. It was, therefore, not a normal practice to debar such a contractor from contracting for future work. On further questioning by the Committee, it was admitted as a mistake and that it would not have occurred had the officer who negotiated the second contract remembered the earlier case.

47. *The Committee were astonished at the stand taken by the Ministry.* Verification of the capacity, performance and antecedents of a contractor is one of the important checks before awarding a contract. It is difficult to believe how the Supply Organisation dealing with the bulk of the purchase contracts of Government could have been oblivious of the failure on the part of this firm only about 3 months before the second contract was awarded. *If this case is*

indicative of the working of the Directorate General, Supplies and Disposals the Committee consider that Government will be well-advised to examine the matter further. In their opinion, the present case merits an enquiry with a view to finding out the loose ends and also fixing the responsibility.

48. Another omission on the part of the Directorate of Supplies and Disposals was that no proper action was taken by them on receipt of the inspection reports in April and May, 1954. It was urged that it was not clear from the report whether the Inspecting Officer had actually visited the stations in question to inspect the material. The Committee, however, observed that there was no such lack of clarity. It had been clearly brought out in the reports that the Inspector visited only two stations. At one place there was no material while at the other the timber was below specification. *Had the D.G.S. & D. taken up the matter with the contractor immediately regarding his inability to produce the goods for inspection, the contractor's statement could have been verified. It was a regrettable omission on the part of the D.G.S. & D.*

49. *Again it was a mistake on the part of the D.G.S. & D. to have extended the date of delivery of goods on his own without a request from the supplying firm. In the context of the firm's rejecting the extension, the correctness of the procedure of giving extensions, unilaterally is open to question.*

50. The Railway Inspector was not also free from blame in this case. In the earlier case, the Inspector did not carry out the inspection of the material within the stipulated period and did not report this to the D.G.S. & D. in time. He visited only two places and did not visit the others on the oral statement of the agent of the firm, although it was admitted by Government before the Arbitrator that supplies were tendered at five places and the case therefore went against Government. *The same contractor was involved in the other case and the technique was practically the same. Still the Inspector did not take the precaution of obtaining anything in writing from the firm or its agent to show that the material was not ready for inspection. The Committee were informed that in the second case the Arbitrator held that the Inspector did not actually go to any place to inspect. The Committee feel that the action of the Inspector in the second case lacked justification and disciplinary action against him was called for.*

Central Railways—Infructuous expenditure on freight charges—Para 16 of Audit Report 1957.

51. This case disclosed an infructuous expenditure of Rs. 41,052 incurred on freight charges for the unnecessary movement of tie

bars from Kanpur to Mandwa and back from Mandwa to Kosi Kalan. In January, 1955 the Controller of Stores, Central Railway, placed an indent on the D. G. S. & D. for the supply of tie bars required for track renewals which included 55,025 tie bars for the Bhusawal-Itarsi section and 38,800 for relaying the Mathura-Delhi Section to be supplied at Mandwa and Kosi Kalan respectively. The order for these tie bars was placed by the D. G. S. & D. with a firm in Kanpur in June, 1955.

52. The work on the Bhusawal-Itarsi Section was carried out in December, 1954 with tie bars obtained from existing stocks in the Railway depots owing to urgency and the 55,025 tie bars ordered were no longer requird for this work. Although the Assistant Engineer, Khandwa, informed in January, 1955 that the tie bars intended for this work might be used on some other work, the administration decided to allow the consignment instructions to stand as most of the works for which tie bars were likely to be required were south of the Bhusawal-Itarsi Section and change in consignment, instructions might create difficulties.

53. Subsequently, in August, 1955, 22,000 tie bars became urgently necessary for relaying on the Poona-Raichur Section. Since supplies from Kanpur had by that time reached Kosi Kalan and these were the only tie bars available at the time the Chief Engineer ordered the movement of 22,000 tie bars from Kosi Kalan to Poona Raichur Section on the 5th September, and 10th October, 1955. This transfer caused a shortage of 22,000 tie-bars in Kosi Kalan. The Railway Board decided on 12th October, 1955 to run air-conditioned *de luxe* trains on the Delhi—Bombay and Delhi—Madras routes and it became necessary to undertake the Mathura—Delhi relaying on a priority basis. The necessitated immediate recoupment of the shortage of 22,000 tie bars in Kosi Kalan. In February, 1956 at the instance of the Chief Engineer 22,500 of these tie bars were re-booked from Mandwa to Kosi Kalan involving freight charges to the extent of Rs. 26,798. The supply of 55,025 tie bars intended for the Bhusawal-Itarsi Section commenced at Mandwa from Kanpur from January, 1956 and was not completed till June, 1956. Had these tie bars being sent direct from Kanpur to Kosi Kalan the freight charges would have amounted to Rs. 9,978 only and would have avoided the unnecessary haulage of the tie bars, from Kanpur to Mandwa (freight charges Rs. 24,232) and then from Mandwa to Kosi Kalan (freight charges Rs. 26,798). The resultant saving would have been Rs. 41,052. The Committee desired to know whether the Chief Engineer had acted correctly in dispatching 22,000 tie bars from Kosi Kalan to Poona-Raichur Section on the 10th October

when within a couple of days thereafter the decision to run a *de-luxe* train between Delhi and Bombay was taken.

54. In a note (Appendix III) submitted to the Committee the Ministry's representative stated that the Chief Engineer was informed of the decision to run air-conditioned *De-Luxe* trains only on the 15th October, 1955 and that he was not aware of the proposal at the time of ordering the movement of tie bars from Kosi Kalan to Poona-Raichur Section. The Committee enquired why the Chief Engineer did not take steps to replenish the stocks at Kosi Kalan in time, despite the suggestion of the Assistant Engineer, Khandwa that the tie bars were no longer required for the Bhusawal-Itarsi Section. The Committee do not accept the plea that diversion of the tie bars to Kosi Kalan from Kanpur would not have expedited the supplies at Kosi Kalan. *They are surprised at the statement that the supplying firm would not have acted upon the changed consignment instructions even if they had been communicated by the Railways. In their opinion, this case disclosed lack of proper planning and foresight in deploying supplies. The Committee trust suitable instruction will be issued to the Engineering Division to avoid recurrence of such cases.*

Central Railway—Loss of Permanent Way Materials—Para 17 *of Audit Report,* 1957.

55. Four major works of doubling and relaying of track were carried out between Delhi and Agra during 1948—51. Although it is usual to post Depot Storekeepers for the maintenance of accounts of permanent way materials for major works, no Depot Storekeeper was posted to these Works; but five Permanent Way Inspectors were made responsible for keeping these accounts.

56. The prescribed procedure for the maintenance of accounts was, however, not followed resulting in confusion in the accounts of permanent way materials. In a number of cases full quantities received from the depots for these works were not taken into account in the "Material-at-site" ledgers and numerical accounts of receipts and issues were not maintained properly. "Material-at-site" returns were also not sent to the Divisional Office regularly. Departmental verification was not carried out, except in the case of one work, as the construction staff were stated to be working under heavy pressure. The stock verification by the Accounts Department was also not done as the material was spread over long distances.

57. When the "Material-at-site" accounts were checked on completion of the works it was found that considerable quantities of materials were not accounted for by the Permanent Way Inspectors in the ledgers and returns. To ascertain whether all materials, the

cost of which was charged to the works, were properly utilised thereon, the quantities actually used on these works were physically counted at site during 1952-55. This revealed a shortage of materials worth Rs. 93,000.

58. The unsatisfactory state of the "material-at-site" account was noticed in the offices of the Assistant Engineer and the Divisional Engineer, and repeated instructions were issued to the Permanent Way Inspectors concerned for submitting the accounts correctly and regularly. Considering the abnormal conditions of the post-partition period during which the work were executed under an exacting time schedule, it was difficult for the staff to observe the rules and regulations prescribed for the maintenance of the accounts of materials. No individual responsibility for the shortages had been fixed as several parties were engaged on the works and were connected with the receipt and accountal of the materials.

59. In reply to a question why a deviation from the usual practice was made in this case and no Depot Store Keeper was posted, the representative of the Railway Board stated that the work was a 'rush job' undertaken after the Partition to meet a national emergency and under the conditions prevailing at the time it would have taken the Administration a long time to post the accounting staff. Further the loss of material of Rs. 93,000 which had occurred in this case was only ½ % of the total expenditure incurred on these works and was, therefore, not very significant.

60. *The Committee were not satisfied with this explanation. While they appreciate the difficult conditions under which the work was executed by the Railways they are disturbed to find that no attempt had been made to provide the necessary accounting personnel for the maintenance of accounts of permanent way material.* In fact it is only during emergencies there is need for stricter control over store accounts by drafting the necessary personnel for maintaining the store accounts correctly. *The Committee desire that the Railway Board should ensure in future that all the different wings of the administrative apparatus are properly manned before undertaking even emergency works.*

61. As regards the observation of the Railway Board that the loss in this case was only ½ % of the total outlay and, therefore, insignificant, the Committee *feel that such computation in terms of percentages is apt to mislead inasmuch as it over looks the magnitude of the loss.*

62. It had been admitted in this case that the Permanent Way Inspectors did not carry out the instructions given to them by the

Divisional Office, failed to maintain the store accounts properly and did not submit the periodical reports and returns regularly. These irregularities were noticed in the offices of the Assistant Engineer and Divisional Engineer and repeated instructions were issued to them; but the position did not improve. The Committee, therefore, do not see why individual responsibility could not be fixed for the loss. In reply to a question as to how the Divisional Engineer was exercising the prescribed check over the consumption of the materials in the absence of 'material-at-site' returns, the Railway Board have stated as follows:—

> "It is difficult at this stage to explain how the then Divisional Engineer was exercising the prescribed check in the absence of the 'material-at-site' returns".

It is therefore, obvious that no check was exercised by the Divisional Engineer over the consumption of materials. In the opinion of the Committee, the Railway Board should pursue the matter seriously.

Ganga Bridge Project—Avoidable expenditure in the Purchase of spare parts for earth moving machinery—Para 8 of Audit Report, 1958.

63. The Ganga Bridge Project Administration placed an indent on the D.G.S. & D. for certain heavy earth moving machinery in September, 1954. After inviting open tenders the D.G.S. & D. placed an order for the same in December, 1954. Indents for spare parts estimated to cost Rs. 5·45 lakhs required for the maintenance and overhaul of the machines were, however, sent to the Director General in April, 1955 delivery of which in the case of spares to the value of about Rs. 4·04 lakhs was required before the first working season commencing October, 1955. These, therefore, had to be purchased *ex-stock* by the Director General, Supplies and Disposals. Had the order for spare parts been placed along with the machines or soon thereafter, forward delivery prices would have been obtained and nearly Rs. 1·09 lakhs (about one fourth of the price paid for ex-stock purchases) might have been saved.

64. In the course of evidence the representative of the Railway Board explained why the indent for the spares was not sent along with the indent for the earth moving machinery placed on the D.G.S. & D. three months before. According to him, it took the Administration about three months to go through the detailed categories of supplies and decide the type and quantum of spares necessary to be kept in stock. Because of lack of previous experience in this regard, the Administration consulted other Project Administrations for advice.

65. The Committee were not satisfied with this explanation. Having taken a decision to do the earth work by heavy earthmoving machinery, it is a matter of common knowledge that order for the

minimum quantity of spares should be indented in the order for the machinery itself to overcome possible breakdown. *The Committee were informed that the D.G.S. & D. did advise the Railway Administration to include in the indent for the machinery certain spare parts which advice was apparently overlooked by them.*

66. The spare parts which were to be purchased ex-stock were stated to be the minimum required for the running of the machinery, during the first season *viz.* from October to December, 1955. But from a *note submitted to the Committee giving the list of spare sparts which were obtained on emergency basis it was seen that a total number of 6772 parts of 621 categories worth Rs. 4·24 lakhs were purchased by the Administration, through the D.G.S. & D., out of which only 1665 parts to the value of Rs. 82,562 were utilised during the period upto January, 1956. These figures, however, do not appear to include emergent purchases by the Administration under its own powers. *The Committee regret to observe that on both occasions the Railway Administration betrayed lack of planning and fore-thought. The Committee trust that the Railways will profit by this experience in future.*

Ganga Bridge Project—Interest charges in connection with acquisition of land—Para 9 of Audit Report 1958.

67. A provision of Rs. 90·37 lakhs was made in the estimate of the Ganga Bridge Project at Mokameh for the acquisition of 5,568 acres of land and a Special Land Acquisition Officer was placed at the disposal of the Project Administration by the Bihar Government. Applications for the acquisition of land were made from time to time and up to December, 1957 the Project took possession of 5,989 acres of land valued at Rs. 1 crore. Out of this, about 5,540 acres were acquired under the emergency section of the Land Acquisition Act which provided for taking possession of land before the settlement and payment of compensation. The Act also laid down that settlement at 6% would be charged on such lands from the time of taking over possession till the compensation was finally paid. Due to delays in the settlement of compensation, the Project had to pay a sum of Rs. 4,01,603 by way of interest upto 31st March, 1958.

68. In reply to a question as to why the Project Administration did not requisition the land earlier under the normal rules instead of resorting to the emergency provisions of the Land Acquisition Act, the Committee were informed in evidence that the Project Administration soon after its coming into being in September, 1953 lost no time and applied for the acquisition, of about 4,400 acres of land in April/ May, 1954. It was added that even though the land was requisitioned under the emergency provision the possession was handed over

*Not printed.

only in July, 1955. Had it been under the normal provisions it would have taken much more time. As regards delay in settlement of compensation, the representative of the Railway Board observed that land acquisition was a quasi-judicial process—within the jurisdiction of the State Government and certain amount of delay was inherent in the procedure for acquiring lands.

69. At the instance of the Committee the following statement was furnished by the Railway Board:

Year	Acreage for which notification was issued by the State Government in the year		Acreage taken possession of by Ganga Bridge Project in the year		Acreage in respect of which award for payment was issued by the State Government in the year	
	Acres	Sq. yds.	Acres	Sq. yds	Acres	Sq yds.
1953 . . .	322	4580	Nil	Nil	Nil	Nil
1954 . . .	4,172	939	383	4,644	Nil	Nil
1955 . . .	613	310	4,114	875	122	4,151
1956 . . .	Nil	Nil	613	310	4,088	1,678
1957 . . .	Nil	Nil	Nil	Nil		
Total .	5,111	989	5,111	989	5,111	989

It is clear from the above statement that the Project Administration placed the bulk of its demand for land on the State Government in 1953-54; possession was taken in 1955 but declaration of the award was made by the State Government in 1956-57. Such delays affect the interest of both the Government and the cultivator whose land has been taken. The project is unnecessarily burdened with enhanced costs and the cultivator does not get his money in time.

70. *The Committee would, therefore, suggest that the Central Government should examine in consultation with State Governments the feasibility of cutting out delays in the land acquisition procedure.*

Eastern Railway—Charges on Account of haulage of Oil at Budge-Budge—Para 10 *of Audit Report,* 1958.

71. Wagons containing Oil and oil products booked to and from Budge Budge have to be loaded and unloaded at safe distance from the station as required by the regulations for handling of inflamable articles. For this purpose, lines have been laid by the Railway Administration with about 24 loading and unloading points on the West Yard and about Rs. 1·65 lakhs a year are being spent by the Railway Administration for the haulage of wagons carrying oil and oil products to and from these points. No charges were levied by the Railways to cover the haulage charges as the Railways considered the West Yard sidings as facilities provided as a convenience for railway working and they were not laid specifically for the convenience of the consignee which was the case in respect of the East Yard sidings.

72. Before the war, Budge Budge was a joint passenger-cum-goods booking station. During the war, for operational reasons, the passenger station was shifted to a point about a mile away from the old station in the direction of and nearer Calcutta. In January, 1956 Audit suggested to the Railway Board that a suitable charge should be levied to cover the haulage charges, as with the segregation of the goods station from the passenger station during the war, the loading and unloading points in the West Yard served the convenience of the oil companies more than what was required by the safety regulations.

73. In evidence, the Committee were informed that according to the principles enunciated in 1930, if any siding was constructed which was convenient to the Railways for the purpose of discharging their responsibility no additional charge was levied. But if the siding was so located as to serve basically the interests of a particular company or industry away from the station, charges were levied. In accordance with this principle, no siding charges were levied in this case. It was added that even if the passenger station of Budge Budge was shifted by a mile nearer Calcutta, the mileage for booking goods was still being reckoned from the goods shed (the old point). As such there was no additional benefit accruing to the company at the expense of the Railways for which the levy of a siding charge was warranted. It was urged by Audit that in such cases the deciding factor was in whose favour the balance of advantage lay—the Railways or the company, and it should be reviewed periodically so that the interest of the Railways did not suffer. In support, a case was cited in which a siding was originally intended for receipt of empty drums (for providing which no siding charges were levied) was later on used free of charge for despatching empty drums and loading of oil by the Company. This was unauthorised and the Railway Board have since levied siding charges from 1st January, 1957.

74. *The Committee appreciate the point raised by Audit. At the same time, they cannot overlook the practical difficulties in assessing whether a siding benefited more the Company more than the Railways. They would like to observe that in such cases where a siding would be to the mutual benefit of both the Company and Railways, the decision regarding levy of siding charges should be fair and not at the cost of the exchequer. The Committee desire that the matter should be reviewed by the Railway Board in the light of what has been stated above.*

Northern Railway—Delay in fixing siding charges—Para 11 of Audit Report, 1958

75. In March, 1949, at the instance of the Ministry of Industry and Supply, it was agreed between that Ministry, the ex-Bikaner Railway and Messrs. Bikaner Gypsum Ltd., that a siding should be laid connecting Jamsar with the gypsum quarries worked by that firm to

facilitate the supply of gypsum to Messrs. Sindri Fertiliser and Chemicals Ltd. The work was started on land provided by Messrs. Bikaner Gypsum Ltd. in August, 1949, and was completed in March, 1950.

76. According to the rules of the Ex-Bikaner Railway, construction of a siding should be carried out at the expense of the applicant and after the estimated cost was deposited. The applicant was also required to share the maintenance charges and haulage according to the scales prescribed. The incidence of the cost of the above siding was considered at a meeting of the representatives of the Ministry of Industry and Supply, the Ex-Bikaner Railway and Messrs. Bikaner Gypsum Ltd., in March, 1949 before the work was started. No decision was reached but the firm took the stand that they were not prepared to undertake any liability.

77. The ex-Bikaner Railway was later transferred to the Rajasthan Government who sanctioned in March, 1950 an estimate of Rs. 1 lakh for this work but no claim whatsoever was preferred against any party. On a reference from the Northern Railway in 1953 (the ex-Bikaner Railway became part of the Northern Railway on integration) the firm restated their earlier contention that they were not liable to pay anything and suggested that recoveries, if any should be effected from the Sindri Fertilizers and Chemicals Ltd. Nevertheless, the Northern Railway decided in February, 1954 to recover from the firm shunting charges at Rs. 2 per four-wheeled wagon plus interest and maintenance charges for the siding. The firm declined to pay and suggested that the amount might be included in the "To Pay" invoices for payment by the Sindri Fertilizers and Chemicals Ltd. This was done with effect from the 10th July, 1955 but discontinued from 2nd November, 1955 at the instance of the latter. In the meantime on a reference from the Railway Board, the Ministry of Production, to whom the control of Messrs. Sindri Fertilizers and Chemicals Ltd. had been transferred, suggested in September, 1955 that only the freight charges for the additional distance served by the siding might be recovered from the Sindri Fertilizers and Chemicals Ltd., and that, if necessary, a meeting might be arranged to settle the matter.

78. Although the siding was brought into use in 1950 no agreement has yet been reached. The siding charges to be recovered upto the 31st March, 1957 are estimated to be about Rs. 3·69 lakhs excluding maintenance and interest charges.

79. From the evidence tendered by the representatives of the Railway Board and the Ministry of Commerce and Industry (who are now controlling the Sindri Fertilizers and Chemicals Ltd.) the Committee find that the whole question hinges on the view whether

the siding in this case was to be treated as an assisted siding or as a Railway siding. The Commerce & Industry Ministry were of the view that as more than 2,000 tons of gypsum were loaded at the siding everyday, it should be treated as a Railway siding. On the other hand the contention of the Ministry of Railways was that the siding was constructed at the express request of the other party. *Even granting that there was extenuating reasons for not settling this case before* 1955, *the Committee can see no convincing reason for the subsequent delay. They conveyed their concern at this to the witnesses from both the Ministries and urged for an early settlement. The Committee were assured that within a couple of months the matter would be settled. They, however, regret to observe that a report on further progress is still awaited.*

Avoidable expenditure on water charges—Para 12 *of the Audit, Report* 1958

80. In 1942 the Railway Administration entered into an agreement with the Jabalpur Municipality to pay for supply of water at the rate of Re. 1 per 4,000 gallons. During periods of water famine, however, that rate was to be Re. 1 per 2,000 gallons on the Executive Engineer, P.W.D. Jabalpur, certifying that water shortage existed and that water was drawn from the Pariat Lake. The period of agreement was ten years expiring on 9th May, 1952 from which date notice of six months would run if either side wished to terminate the agreement.

81. On the 22nd April, 1952 the Jabalpur Municipality proposed a new agreement providing for supply of water from 10th May, 1952 at the rate of Re. 1 per 2,400 gallons as the supply of water from the Pariat Lake had become a permanent feature. The draft agreement was approved by the Railway Administration on the 16th May, 1956, over four years later. The Municipality gave its final approval on the 15th January, 1957 but with the stipulation that the new agreement would come into effect from the 1st January, 1957 and that for the period 10th May, 1952 to 31st December, 1956 the old rates would apply. Meantime, payments for water consumed by the Railway Administration during the above period had been made at the old rates. The Municipality was not informed that the payments made were on a provisional basis. This resulted in an avoidable expenditure of Rs. 67,638, being the difference of water charges paid at Re. 1 per 2,000 gallons and the amount calculated at Re. 1 per 2,400 gallons. The delay of more than four years in concluding the agreement and the failure of the Railway Administration to take

timely steps to ensure that the new rate would apply from 10th May, 1952 had, according to the Audit Report, led to an avoidable expenditure of Rs. 67,638.

82. In evidence it was disclosed to the Committee that the draft agreement for the period from 10th May was received by the Railway on 22nd April, 1952. The Chief Engineer discussed certain aspects of the draft agreement with the Municipality in November, 1952 and sought the concurrence of the F.A. & C.A.O. in February, 1953. The matter remained under correspondence between them for about one year and the concurrence of the F.A. & C.A.O. was received in March, 1954. On 7th July, 1954 the Chief Engineer approached the General Manager for his sanction which was accorded on the 15th July, 1954. The General Manager's approval was not, however, communicated to the Municipality till 16th May, 1956, *i.e.*, for a period of nearly two years. The Committee could not get any explanation for the inordinate delay of about two years in communicating to the Municipality the General Manager's approval. They are surprised at the delay at every stage in handling this case. The plea that the Railway Administration took time to examine the relative advantages of the agreements, existing and proposed was, in the opinion of the Committee, least convincing. *They regret to observe that the Railways as a commercial concern, had not taken the elementary precaution of informing the Municipality that pending finalisation of a new agreement the payment for water supply should be treated as on a provisional basis, when the old agreement had already expired. The Committee desire that the matter should be investigated by the Railway Board and responsibility fixed for the delay at the different stages and for the failure to warn the Municipality in time that the payments during the interregnum were provisional.*

Central Railway—Purchase of point rodding—Para 13 of the Audit Report 1958

83. On the 5th October, 1955, the Controller of Stores, Central Railway received an urgent demand for 10,000 yards of point rodding for delivery by the 31st March, 1956. The D.G.S. & D. had at that time a rate contract with a firm in Calcutta for the supply of this material during the period August, 1955 to July, 1956 at the rate of Rs. 4-5-3 per yard. The Controller of Stores, Central Railways, was authorised as one of the Direct Demanding Officers, to place orders direct against this contract upto a monetary limit of Rs. 50,000 in any one case. Instead of placing his order against this contract the Controller of Stores, Central Railways made in February, 1956 direct purchase on grounds of urgency from a Bombay firm which

tendered 2,000 yards ex-stock at Rs. 6 per yard and 8,000 yards in monthly instalments at Rs. 4-14-0 per yard. According to Audit, this resulted in an extra expenditure of Rs. 6,781 even after allowing for freight from Calcutta to Bombay on the supplies.

84. Another demand for 30,000 yards of point rodding was received by the Controller of Stores in April, 1956 for supply by October, 1956. Again tenders were invited in July, 1956 and an order was placed on a firm on 8th October, 1956 at Rs. 5-14-0 per yard. The firm, however, rejected the order on the plea that it was placed after a month from the date of its quotation. Meanwhile, the D.G.S. & D. had entered into a running contract with a Bombay firm in July, 1956 for the supply of point rodding during the period Auguct, 1956 to July, 1957 at the rate of Rs 4-8-0 per yard, in which the supply of 1,02,666 yards to the Central Railway was provided. Although the demand for 30,000 yards in question was additional to the above provision of 1,02,666 yards, it was open for the Controller of Stores to have placed the order on the firm as under the provisions of the contract the quantity for supply could be increased by 25 per cent without serving any written notice on the firm. With written notice, the order might have been for the whole of the 30,000 yards. But the Controller of Stores placed a separate order on the same firm in January, 1957 for the supply of the material at Rs. 6 per yard (as against Rs. 4-8-0 per yard for the rate contract) and thereby incurred avoidable expenditure to the extent of Rs. 45,000.

85. In evidence, it was urged that in the first case the demand was urgent and supplies by the Calcutta firm (which had a rate contract) were known to be uncertain. The Administration, therefore, decided on direct purchase from a local firm in Bombay.

86. As regards the other case it has been stated in the Audit Report that—

> "The Tender Committee while recommending direct purchase in this case on the 28th Februray, 1957 had evidence before it to indicate that the prospect's of obtaining supplies of 30,000 yards of point rodding against the running contract were remote inasmuch as no supplies had materialised until February, 1957 against this contract placed by the D.G.S.&D. in July, 1956, even though the quantity planned for production during September to December, 1956 was 52,000 feet."

However, in reply to a question the D.G.S.&D. informed the Committee that this firm had actually supplied to the Central Railways 10,000 feet on the 1st February, 1957, 5,600 feet on 8th February, and 32,400 feet in March, besides supplies aggregating to about one lakh

yards to Railways during October, 1956 to March, 57. This position was not contradicted by the Ministry of Railways. The Committee were, therefore, led to think that the earlier explanation given to Audit was not correct. The plea of urgency was urged by the representative of the Ministry of Railways in this case also. The Committee could not accept this inasmuch as the demand was made in April, 1956 for supply by October, 1956 and orders were placed on the 28th February, 1957—ten months after the receipt of the demand.

87. Another disturbing feature of this case was that the order for direct purchase at Rs. 6 per yard was placed by the Railway Administration on the very firm which held the running contract (at Rs. 4-8 per yard). In the opinion of the Committee, the direct purchase in the second case at an extra cost of Rs. 45,000 was indefensible and the matter needs investigation.

88. *The Committee attach great importance to centralised purchasing, as it would be economical to Government in the long run and the mechanism should therefore, be so geared as to meet all demands. If exceptions are provided for to meet really urgent cases, such occasions should be rare. Otherwise it might lead to inter-ministerial competition, as it did in this case, resulting in payment of inflated prices by Government for supplies. The Committee trust that the Ministry of Finance will address themselves to this aspect.*

Central Railway—Purchase of buffer outer cases—Para 15 of Audit Report, 1958

89. The stock of buffer outer cases to drawing No. NA 18 required for certain non-standard wagons, was exhausted in September, 1953. Buffer cases of another design W 360 were used instead until August, 1955 and thereafter the Administration resorted to the use of NA 18 buffer cases reclaimed from condemned wagons. No action was taken for the procurement of these buffer cases until July, 1956 when the Controller of Stores proposed direct purchase of 1310 NA 18 buffer cases as there was no stock in hand. The tenders were invited in September, 1956 and considered on the 12th November, 1956. The lowest offer at Rs. 91-12-0 each was passed over for the reason that the material would be ready for inspection at the manufacturer's works in the United Kingdom only 18 months after the receipt of the order and the import licence. The next lowest offer was rejected as the stores offered were not according to specification. The third lowest offer at the rate of Rs. 186 each and providing shipment in approximately seven months from the date of receipt of import licence, was accepted. Compared to the lowest quotation, the rate accepted involved an extra expenditure of Rs. 1,23,467. The delivery of the buffer cases commenced in November, 1957 and completed in February, 1958.

90. It was stated in evidence that in 1953 certain old G.I.P wagons were expected to be condemned and it was considered that the buffer cases reclaimed from these wagons would meet 50 per cent of the annual requirements. It was, therefore, not considered necessary to purchase these items at that time. But in 1955 as a result of a directive issued by the Railway Board to make provision for 20 per cent increase in goods traffic it was imperative that as many wagons as possible should be retained in service. Thus a number of ex-G.I.P. wagons which would otherwise have been condemned were repaired and continued to be put into service. This caused a shortage of buffers and emergent purchase had to be made. If the purchase at the higher rate on account of more favourable delivery terms had not been made there was likelihood of a number of wagons going out of service with consequent loss of revenue.

91. The Committee wanted to know why timely action to replenish the stock was not taken when the existing stocks of NA 18 and W 396 buffer cases were exhausted in September, 1953 and August, 1955, respectively. The Comptroller and Auditor General informed the Committee that there was a requisition for 375 buffer cases from the Assistant Controller of Stores, Jhansi in October, 1955 but no action was taken for nearly a year. The Committee could not get a satisfactory explanation for this delay. They are surprised at the contention of the Railway Administration that they had to resort to emergent purchase to meet the situation *In the Committee's opinion, the "emergency" was the result of the inactivity of the Railway Administration for nearly one year. The purchase at a higher rate was also of doubtful advantage as the supplies started nearly one year after the date of acceptance of the tender. This is yet another case where the Railway Administration resorted to direct purchase—bypassing the D.G.S. & D.—at double the price quoted by the lowest tenderer.*

Southern Railway—Extra expenditure owing to a defective agreement—Para 16 of Audit Report 1958

92. An urgent indent was sent by the Controller of Stores, ex-S.L. Railway to the Director General, Supplies and Disposals in May, 1950 for the procurement of underground cables required for the execution of a work for which staff had already been appointed. The Director General, Supplies & Disposals placed an order on a firm on the 24th October, 1950 at a cost of Rs. 41,906. The firm offered to deliver the goods in two months ex-works after the receipt of an import licence. The delivery date according to the contract was 25th December, 1950 or earlier but the following clause from the firm's tender was also inserted in the contract by the D.G.S.&D.

"The delivery date quoted is contingent on your not being delayed as a result of non-deliveries of raw material or by any other cause beyond your control."

93. The requisite import licence was sent to the firm on 9th February, 1951 but the firm failed to supply the goods till October. A risk purchase notice was served on the firm by the D.G.S. & D. on 29th October, 1951. In November, 1951 the firm requested cancellation of the order owing to difficulty in obtaining raw material. It was not possible to enforce risk purchase against the firm in view of the protective clause referred to above. The contract was cancelled on 29th April, 1952 without financial repercussions on either side, and the stores were purchased by the Administration at an additional expenditure of Rs. 45,064 over and above the infructuous expenditure incurred on the salaries of idle staff.

94. It came to the notice of the Committee in evidence that the firm had made no mention of the scarcity of raw material or any other difficulty in their tender but had, on the contrary, certified in the schedule of the tender that they had sufficient raw material in stock for the manufacture of the stores quoted. The protective clause was, however, inserted in the contract on the basis of the general terms and conditions printed on the form of the tender by an officer in the Directorate of Supply and Disposals who was not competent to do so. In reply to a question why the officer did this on his own without obtaining the sanction of Government, it was stated that offers of this type with protective clauses had been accepted by Government in the past and as the order in the present case had to be placed by a certain time, the officer anticipated the Government's acceptance in this case. The firm wrote to the D.G.S.&D. in February, 1951 requesting for an extension of the period of delivery by six months. The extension was agreed to by the D.G.S.&D. without consulting the indenting Ministry although the latter was constantly reminding the D.G.S.&D. to expedite supply and the D.G.S. & D. had powers to agree to extension for a period upto 3 months only except on urgent or operational demands. The supplies did not, however, materialise and a risk purchase notice was issued on the firm in October, 1951. The firm requested for cancellation of the contract in November, 1951 without financial repercussions. Government were legally advised that in view of the protective clause inserted in the contract, they could not enforce the risk purchase against the firm.

95. *The Committee are surprised how the officer referred to above could agree to an escape clause of this nature, when the demand was urgnt and the tender note forwarding the indent stipulated that only ex-stock offers should be considered. In their opinion the officer*

had acted very irresponsibly. They were given to understand that the officer had since left Government service. They suggest that strict instructions should be issued to all officers negotiating contracts that they should not exceed the powers delegated to them and deterrent action should be taken against those who are guilty of any such breach.

South Eastern Railway—Supply of inferior quality brushes—Para 17 of Audit Report, 1958

96. Paint and varnish brushes worth Rs. 1:76 lakhs were obtained by the Railway through the D.G.S.&D. Most of the consignments (to the extent of Rs. 1·34 lakhs) were found in laboratory tests and actual use to consist of brushes of inferior quality and poor finish and were, therefore, rejected. Consequently, the D.G.S.&D. was requested to arrange re-inspection of the goods and their replacement. The D.G.S.&D. on the other hand stated that the rejected lot of brushes, which were tested in the Government Test House, showed that there were no defects. Whatever defects were noticed were stated to be due to the negligence on the part of the Railways in storing them haphazardly.

97. The Committee were informed that a joint enquiry committee consisting of officers both from the Ministries of Railways and the Works, Housing and Supply had been set up to investigate further into this case and their conclusions were awaited shortly. From a note submitted to the Committee (Appendix IV), they observe that the rejection of the consignments by the Railways was justified in all the cases as the goods supplied were not of the approved specification or quality. In extenuation, it has been urged that as the brush industry in India was in its infancy such deviations were inevitable in the earlier stages. The W.H.S. Ministry have proposed that the defective brushes in question be accepted by the South Eastern Railway with suitable reduction in price on the merits of each case. This proposal has been concurred in by the Railway Board. *The Committee would like to be apprised of the price settlement reached in this case together with the financial effects thereof. In the light of the finding of the joint enquiry Committee, the Committee are constrained to observe that the earlier stand taken by the D.G.S.&D. was not justified.*

Western Railway—Extra expenditure on the supply of blankets to Class IV staff—Para 18 of Audit Report, 1958.

98. In October, 1950 in accordance with the recommendation of the Dress Regulations Committee representing all the departments and as a measure of economy, hand-made 'kamblies' were bought

instead of blankets for supply to certain categories of Class IV staff on the Western Railway. (On the *ex*-G.I.P. Railway 'kamblies' were only being supplied to such categories of Class IV staff). Of the 7,400 'kamblies' accepted, 5,600 were issued to the staff. On receiving complaints from the staff that the 'kamblies' were rough and thin and also that the replacement interval was longer, the General Manager decided in July, 1951 to allow the 'kamblies' issued to be replaced after one or two years instead of two or three years as originally proposed. It was also decided that the issue of blankets would not be reintroduced in spite of the agitation amongst the staff against the discontinuance of the long-standing practice in this regard. As, however, the 'kamblies' supplied were proved to be of an inferior quality to those supplied on the *ex*-G.I.P. Railway, the Controller of Stores was instructed to purchase in future according to *ex*-G.I.P. specifications. But, in February, 1952 the supply of blankets was resumed. 1,800 'kamblies' in stock purchased at a cost of Rs. 11,250 were auctioned for Rs. 1,305 at a loss of Rs. 9,945.

99. The Railway Administration stated that the change of policy in October, 1950 as regards the issue of blankets was resisted by the staff and its continuance would have led to serious repercussions. Audit has, however, pointed out that on the Central Railway where conditions are more or less similar to those obtaining in the Western Railway, the use of 'kamblies' was a long standing practice and no complaints had been received. A sum of about Rs. 3·5 lakhs would have been saved, had 'kamblies' instead of blankets been issued to the staff in the Western Railway during the five years 1952—57.

100. The Committee consider that the action of the Railway Administration in this case showed lack of foresight and planning. Instead of being economical, the change-over ultimately resulted in extra expenditure and created unnecessary ill-feeling among the staff. In their opinion, the scheme would have been successful had the Western Railway Administration taken adequate care to see that the 'kamblies' purchased and supplied were of the same quality as those supplied in the *ex*-G.I.P. Railway.

101. From a note (Appendix V) supplied by the Railway Board, the Committee observe that the 'kamblies' were purchased in May, 1951 and normal precautions had been taken in their storage. The surplus 1,847 'kamblies', which could not be issued to the staff, were disposed of through auctions held in December, 1957 and April, 1958. *The Committee are surprised at the delay of over 6 years in disposing of the unwanted stores. Had prompt action been taken soon after the decision of the General Manager to resume the supply of blankets in February, 1952, the net loss could have been considerably reduced.*

102. *The Committee feel that as the Railway system is now integrated, it is advisable to examine the different practices followed by the different Railways with a view to introducing uniformity in all possible matters. The Chairman of the Railway Board informed the Committee that the matter was under consideration. The Committee would like to be informed of the progress made in this matter in due course.*

Southern Railway—Payment of sales tax on coal intended for consumption in another State—Para 19 of Audit Report, 1958.

103. One of the distribution centres for coal on the Southern Railway was situated within the former Hyderabad State. During the period 6th September, 1955 to 31st October, 1956, about 3,11,554 tons of coal were received at this Centre from the collieries within the State of which 2,79,307 tons were rebooked for consumption outside the State. Sales tax was, however, paid to the collieries by the Railway Administration on the entire supplies which in turn was paid by the collieries to the State Government. According to the Attorney General's opinion, dated the 19th November, 1955 (based on the judgment of the Supreme Court on the 6th September, 1955) which was communicated to all the Railway Administration in February, 1956 no sales tax was payable in respect of a transaction or sale when the goods delivered in one State are later on despatched to another State for consumption provided the intention to so despatch was known from the beginning. Audit pointed out on the 23rd October, 1956 that the payment of Sales Tax on Coal which was re-booked for consumption outside the State was, therefore, not correct. A sum of Rs. 1,02,428 was accordingly withheld from the bills of the collieries. The Ministry of Law who were consulted by the Railway Board were of the opinion that as the intention to re-book the Coal to sheds outside the State had not been made known to the collieries a presumption would be justified that the entire stocks were required for consumption within the State and that the provisions of the Hyderabad Sales Tax Act were applicable to the entire supplies. Therefore, the collieries could levy the sales tax on the supplies provided there was nothing to the contrary in the terms of contract and that the collieries were registered dealers under the Hyderabad Sales Tax Act.

104. In evidence, the representative of the Railway Board stated that the implications of the Hyderabad Sales Tax Act were not fully known and this case occurred shortly after the reorganisation of the States.

105. The Committee feel unhappy that the Railway Administration was not aware of the legal position in this matter. Their attention was drawn to the fact that the Railway Board had issued instructions to the Railway Administration in 1954 that in cases where any doubt existed, sales tax should be paid under protest. The sales tax was, however, paid in this case unconditionally, as a matter of course, regardless of the instructions referred to above. *The Committee trust that the Railway Board will ensure that the Railway Administrations follow their instructions and take all precautions before making any payments whenever the legality of such is in doubt.*

Delay in the preparation of Completion Reports—Para 20 of Audit Report, 1958.

106. According to the rules a period of three months is allowed for the closing of the accounts after a work is completed. In the case of works costing Rs. 20 lakhs and over a period of three years is normally allowed for the preparation of completion reports. On a report from Audit pointing out delays in the preparation of these reports, the Railway Board issued instructions to the Railway Administrations in April, 1952 to close the accounts of works and prepare completion reports within the prescribed time limits. In spite of these instructions, delays continued. A review disclosed that 8,279 completion reports were overdue by a year or more on the 30th September, 1956; the Railways largely responsible for the delays being the North Eastern, Southern and Central Railways.

107. In extenuation the Financial Commissioner, Railways, stated that efforts were being made to complete the reports as quickly as possible and that the position had improved since the review conducted by Audit referred to above. At the instance of the Committee, a Note showing the latest position regarding the preparation of completion reports was submitted by the Railway Board (Appendix VI). It was stated that out of 8,279 reports outstanding on the 30th September, 1956, 3,446 Reports had since been completed, leaving 4,833 on the 30th June, 1958. However, fresh arrears had also accumulated in the mean while and the total number of outstanding reports was about 11,547. It was also stated that there was improvement on all the Railways; the improvement was very substantial on all the Railways though relatively small on the Central Railway.

108. *The Committee do not share the satisfaction of the Financial Commissioner. On the contrary, they consider the position has worsened as the number of outstandings indicates. They would urge upon the Railway Board to pursue the matter vigorously and expedite the clearance of the backlog of arrears as early as possible.* The

reasons for the inordinate delays in the preparation of these reports especially on the Central Railway also be looked into and immediate steps taken to remove the bottlenecks—procedural or otherwise—in the way. *The Committee would like to be apprised of the progress made by the different Railway Administrations in this regard through subsequent Audit Reports.*

Non-availability of Vouchers for Audit—Para 21 of Audit Report, 1958.

109. For the purpose of conducting the statutory audit of the accounts of the Railways, Vouchers and returns have to be requisitioned by Chief Auditors from Financial Advisers and Chief Accounts Officers. The supply of selected vouchers and returns requisitioned by the Chief Auditors has not been satisfactory for some time. In most of the cases, the Railway Administration informed Audit that the vouchers and returns were either untraceable, had not been received from stations or were still with the Cash and Pay Department. The para in the Audit Report disclosed that vouchers and returns required by Audit were outstanding in a large number of cases.

110. The Financial Commissioner, Railways, stated in evidence that as a result of a special drive, the outstanding cases had been minimised considerably. In support, he quoted certain facts and figures.

111. *The Committee regard this as highly unsatisfactory. Delay in furnishing the vouchers to Audit will, as pointed out by the Comptroller and Auditor General, reduce the value of Audit. The Committee trust that the Financial Commissioner, Railways, will impress upon his Accounting Officers the importance of producing vouchers and returns called for by Audit without any delay. They desire that the Comptroller and Auditor General should report on the improvement in his subsequent reports.*

IV

OUTSTANDING RECOMMENDATIONS

112. The Committee will now proceed to deal with some of the more important items outstanding from the previous Reports of the Committee---those of less importance are referred to in Appendix I.

Recovery of overpayment of freight amount (Rs. 10 lakhs) to a manufacturing company—Para 9 of the Seventeenth Report.

113. An excess payment of freight of about Rs. 10 lakhs had been made during 1948—51 to an Indian company for supply of pig iron and its subsequent conversion into cast iron sleepers. The Public Accounts Committee of 1955-56 were informed that the question of recovery of the excess payment was under the active consideration of the Railway Board in consultation with the Ministry of Law. The Committee expressed their disapproval over the long delay in settling this case.

114. In a note furnished by the Railway Board (Appendix VII) giving the latest position, the position has been summed up as follows:—

> "Taking all the circumstances, the Ministry of Railways are of the view that it is difficult to hold that the Government has suffered any avoidable loss or that the Railway Board were in a position to negotiate a contract better than the one which is the subject matter of Audit criticism."

However, in the course of examination, it was admitted by the Chairman of the Railway Board that in 1948 when the contract with the firm was entered into, the position regarding "place extra" was not so clear as it was at present and that those who were then responsible for negotiating the contract were not quite aware that the "commercial price" of pig iron included an element of "place extra". *The Committee trust that steps will be taken to ensure in future that when substantial sums of money are involved, the terms of the agreement are always negotiated with legal guidance.*

Supply of defective cylinders—Paras 23—28 of the Seventeenth Report.

115. This case relates to a contract for 100 W.G. locomotives placed by the I.S.D., London with a firm in U.K. They were received and put into use from September, 1950 onwards. By the middle of 1955, about 159 cylinders out of the total 200 fitted in the locomotives had

cracked. Similar cracks were found in about 90 cylinders out of 268 supplied directly by another U.K. firm. A technical enquiry revealed in 1953 that the crackings were due to defects in the designs and the poor finish of the castings. A claim was made by the India Store Department, London, for free replacement of 114 and 61 cracked cylinders respectively from the 2 firms on the ground that the design and workmanship of the cylinders were defective. The firm which supplied 100 W.G. locomotives repudiated the claim in December, 1953 as they were designed in accordance with the drawings approved by the consulting engineers of the Railway Board, were subject to the inspection by Inspecting Engineers, and there was no guarantee clause in the agreement. In the other case, where supplies were made directly to the Chittaranjan Locomotive Works, no satisfactory reply was received from the firm.

116. The matter was taken up by the Committee of 1955-56 and after considering all the material placed before them, they were of the opinion that apart from the legal aspect, under the established custom and usage in trade, the manufacturing firm was bound to supply articles free of any defect. Therefore, they desired that the Railway Board should take up the matter with the firm again, as the firm was continuing to enjoy the patronage of the Railway Board. As regards the responsibility of the consulting engineers, the Committee suggested that the Railway Board should examine the matter in consultation with the legal advisers in London and take further action.

117. The Committee of 1957-58 were apprised of the fact that the claim against the manufacturers had been lodged by the D.G.I.S.D., London and that he had also been asked to take legal advice in regard to the responsibility of Consulting Engineers. It was also revealed that the firm of manufacturers had made an offer to pay £10,000 to Government purely "as a gesture of goodwill" and without admission of liability.

118. In a note submitted to the Committee (Appendices VIII and IX), it has been stated that Government thought it advisable to accept the offer of £10,000 made by the firm in final settlement of the case, rather than face the uncertainties of litigation or arbitration. (A credit note for £10,000 had already been received from the firm). According to the legal opinion obtained by the D.G.I.S.D., London, in U.K., no liability was accepted in such cases for any loss due to unintentional acceptance of defective stores and that the position in law also was not different as regards the claim against technical consultants. The law of limitation might prevent claims

being successfully pursued in this case. If litigation were to be commenced, the better course would be to go against the manufacturers in the first instance.

119. The Committee desired to know how the claim was accepted at £10,000 by Government while actually it was £28,000 and odd according to their earlier computation. It was explained that the revised calculations worked up to a figure of £18,293 which was also checked up by Audit and the Railway Board closed the case by accepting £10,000 from the manufacturers. *The Committee are surprised at the manner in which the Railway Board had set about dealing with this case from the very commencement.* The India Stores Department, London, who negotiated this matter with the manufacturers in the earlier stages, were told by the manufacturers that the Managing Director of the firm had discussed this matter with the Railway Board while he was at Delhi and the latter had agreed to drop the matter. *It is, therefore, apparent why the Railway Board could not without embarrassment take a firm stand against the firm. And to save the situation the offer of £10,000 by the firm was accepted and the case closed. The Committee cannot refrain from observing that the high-level officers who were responsible for weakening the Government claim in this manner against the firm did not act in the best interests of Government. The Committee do not know whether the Railway Board have in a similar manner jeopardised their claim against the Consultants also. If not, they desire that the claim should be taken up with the Consultants.*

Wasteful Expenditure due to excessive sanction of cleaners in the Loco Running Sheds of a Division—Para 52 of the Seventeenth Report.

120. Due to wrong estimating of the requirement of cleaners in the Loco Running Shed of an ex-East Indian Railway Division, 109 posts of cleaners were in excess of the admissible number and this resulted in a wasteful expenditure estimated to be over Rs. 2 lakhs. A Committee which was appointed by the Railway Board to investigate this case confirmed that a mistake had been made in working out the requirements of cleaners.

121. The Public Accounts Committee of 1957-58 were informed that the Railway Board were considering the disciplinary action to be taken against those responsible for this mistake. *From a note furnished by the Railway Board indicating the punishments meted out to the delinquent officials, the Committee got the impression that the higher officers were dealt with too lightly. The representative of the Railway Board agreed to review the cases. The Committee will await the result of the review.*

North Eastern (ex-Assam) Railway—Non-payment of Railway dues by a commercial concern—Para 71 of the Seventeenth Report

122. This case relates to a recovery of Rs. 1·07 lakhs from a firm M/s. Commercial Carrying Co., (Assam) Ltd., once working as contractors for the Shillong out-agency on the *ex*-Assam Railway, consequent on the termination of the contract with the firm. The Committee of 1955-56 were apprised that the Railway Board were unable to recover the sum despite their best efforts to locate the whereabouts of the firm. Thereupon, they desired to be apprised of the further steps the Railway Board contemplated to take to effect the recovery. The Committee of 1957-58 were informed that negotiations with the firm had been started for settling the matter and the Committee decided to await further developments.

123. From a note received from the Ministry (Appendix X), the Committee observe that as Messrs Commercial Carrying Co., (Assam) Ltd., had no assets, it had been agreed that another firm namely, Messrs. Malda Transport Co., Ltd., Calcutta, whose directorate was intimately connected with the directorate of the Commercial Carrying Co., (Assam) Ltd., should take over the responsibility for clearing this amount. This was subject to the condition that the latter company was to be allotted the contract for running the Malda out-agency. A sum of Rs. 32,000 was to be waived and the balance of Rs. 75,000 would be paid as follows:

immediately Rs. 30,000 and the balance in three instalments commencing from 1st January, 1959.

The matter was yet to be finalised. *The Committee would like to be informed of the final outcome in this case.*

Howrah-Sheakhala Light Railway Company—Para 9 of the Fourth Report (Second Lok Sabha)

124. This case arose out of para 7 of Audit Report 1956. The facts of the case in brief are:—

Two Railway stations were opened in 1919 on the Howrah-Burdwan chord of the East Indian Railway (now Eastern Railway). As the earnings of the Howrah-Sheakhala Light Railway (a private Company) were adversely affected thereby, it was decided by the E.I.R. to compensate the Light Railway by payment of 45 per cent of the gross earnings of all traffic between Howrah and these two stations. This arrangement was subject to reconsideration three years after the date of the opening of the two new stations. The compensation as fixed by the arbitrators upto 31st March, 1935 *viz.*, 60 per cent of the gross earnings was continued to be paid till 1941

when it was decided by the Railway Board to review it after the war. Consequent on the official termination of the war on the 1st April, 1946, Audit pointed out in August, 1946 that the sanction of the Railway Board conveyed in 1941 was no longer operative and that a fresh sanction was necessary. However, the Railway Administration continued to make payments on a provisional basis without obtaining the sanction of the Railway Board under the impression that the legality of the payment was not under dispute but only the quantum thereof. The extent of provisional payment was of the order of Rs. 2·58 lakhs. The total compensation payment due to the Company as per the *ex-gratia* payment order of Railway Board amounted to Rs. 4·3 lakhs. In August, 1955 after adjusting payments already made on account, the balance of Rs. 1,71,961 was paid to the Company.

125. The Committee of 1957-58 considered this case and observed in para 9 of their Report [Fourth Report (Second Lok Sabha)] that the Railway Administration and the Chief Accounts Officer had not acted in the interests of the Railway Administration, and that the Railway Board were also to blame in this matter as they took more than two years to decide this case.

126. In a note received from the Railway Board (Appendix XI) it has been observed *inter alia*:—

> "The Ministry of Railways would observe that the provisional payments made by the East Indian Railway Administration in January, 1948, August, 1951 and August, 1952 before obtaining Board's sanction, were not due to any error of judgment or to any irresponsible attitude, but were due to the historical background of events *viz.*, that the compensation had been regularly paid for about 30 years and there were also instances where, on earlier occasions, similar provisional payments had been made pending Board's sanction which was subsequently confirmed by the Board. It cannot be said that the provisional payments in themselves prejudiced the position, and the stoppage of the payments in any case was possible only after a decision had been taken by the Railway Board and communicated to the Light Railway."

> "The Board therefore feel that the views expressed by the Committee in the concluding portion of their recommendation do not seem to be corroborated by the facts stated above."

127. *The Committee are unable to accept the plea that the audit objection related only to the quantum of the payment and not to the propriety thereof.* If there were a doubt, the Railway Administration should have referred the matter immediately to the Railway Board for clarification. *The case dragged on for nearly six years which, in the Committee's opinion, was avoidable.* It has been admitted by the Railway Board themselves that provisional payment to an outside party without orders from the Railway Board was incorrect. If so, it is surprising why the Railway Board are trying to defend an obviously defenceless case. *In the Committee's opinion the responsibility for this avoidable payment lay squarely on the Railway Administration and the Railway Board.*

128. *In this connection the Committee would like to observe that the Railway Board should review the powers to make provisional payment delegated to Railway Administration, tighten them up wherever necessary and take deterrent action where the powers are exceeded or exercised without the prior sanction of the Railway Board.*

Other cases of Losses—Western Railway—over-payments made to casual labour engaged on the prescribed scales of pay—Para 45 of the Fourth Report (Second Lok Sabha)

129. From a note (Appendix XII), the Committee understand that overpayment of Rs. 1,93,379 occurred because of the following specific shortcomings on the part of the Western Railway Administration in dealing with the case of payments of casual labour:—

(a) Giving an incorrect interpretation of the orders conveyed in the Board's letter No. K. 4 CPC/150 Pt. I, dated the 15th May, 1951, and

(b) Inordinate delay in rectifying the wrong interpretation of the orders after it was questioned by Audit.

They share the view of the Railway Board that the Deputy Financial Adviser, Western Railway, was primarily responsible for the wrong interpretation of the Board's Orders dated May, 1951 which resulted in the overpayment of Rs. 1,93,379 to casual labour over a period of five years. The Committee view with concern that even after receipt of the audit objection in April, 1953 this officer did not show special alertness in obtaining a decision quickly and getting revised orders issued with the least possible delay. The delay of about 8 months between the date on which the view expressed by Audit was accepted and the date of issue of the revised orders has not been explained at all. The Committee urge that the

disciplinary action proposed to be taken against the officers concerned should be expedited and the Committee informed of the same.

130. *The Committee would like to invite a reference to their suggestion in para 20 of their Tenth Report that in cases where Audit questioned a payment, prompt action should be taken to resolve the objection and, if considered very necessary, payments should be continued on a provisional basis. Had this course been followed in this case, the loss to Government due to overpayment would have been less. The Committee consider that the punishment of "censure" proposed for the Dy. C.A.O. is rather mild.*

Manufacture of Boilers and locomotives by TELCO—Para 6 (Introduction) and Para 65 of the Fourth Report (Second Lok Sabha)

131. The Committee of 1957-58, after considering all the evidence placed before them and the recommendations of the Tariff Commission, expressed the view that the Railway Board should negotiate with the TELCO the price of metre gauge locomotives in respect of supplies from 1st April, 1958 onwards as suggested by the Tariff Commission. According to the expert opinion quoted in the Tariff Commission's Report the total *ex*-works cost of a Y.P. locomotive was to be normally 76 per cent of a W. G. locomotive. Applying that formula, 76 per cent of the cost of a W. G. locomotive manufactured in Chittaranjan would, in the Committee's opinion, form a reasonable basis for fixation of prices of TELCO locomotives during the price periods from 1st April, 1958 onwards. The Committee desired to know the progress made in fixing the prices as the price period had already commenced.

132. In evidence, it was stated that a decision had been taken to refer the case to arbitration as agreed to between Railway Board and TELCO. In reply to a question from the Committee as to how the fixation of price for future supplies could be a matter for arbitration, their attention was drawn to Clause 27 of the agreement.

133. *The Committee were not convinced of the reasons for resorting to arbitration in this matter. Both the Tariff Commission and the Committee had recommended that the prices of locomotives supplied from 1st April, 1958, and onward should be settled in advance of the price period. The Committee desired that the Railway Board, having committed themselves to arbitration, should frame the issues for arbitration precisely to facilitate a decision quickly. The Committee regret to observe that even though it is nearly one year since the commencement of the price-period the matter is pending still.*

Purchase *of British Standard Locomotive Components and Fittings in Dollars (hard currency) instead of Sterling [Paras 56 to 63 of the 17th Report and Para 84 of the 4th Report. (Second Lok Sabha]*

134. The Committee had commented upon this case in paras 56 to 63 of their Seventeenth Report. A contract for supply of 470 locomotives was placed through the I.S.M. Washington with manufacturers in Canada and U.S.A. With a view to avoiding any delays in the supply of the locomotives, the manufacturers were permitted to place orders for certain components and fittings directly on suppliers in U.K. which *ipso facto* involved payments for these items being made in dollars instead of in sterling. Actually, however, the manufacturers were not able to keep to the target dates for delivery of the locomotives because of the failure on the part of U.K. firms to supply the components in time. Deliveries from Canada were delayed very considerably and the American locomotives were received without these fittings. In the meantime devaluation of the rupee took place. As a result of the decision to pay in dollars for components ordered from the sterling area, Government had to incur a loss of Rs. 4·5 lakhs on this deal. The Committee, therefore, desired that the question of claiming damages from the manufacturers for the delay in deliveries of locomotives should be looked into.

135. In a note submitted to the Committee (Appendix XIII) the Ministry of Works, Housing and Supply stated that although the contract contained a clause regarding 'liquidated damages' the question of levy of damages was not specifically considered by the India Supply Mission, Washington, *perhaps because* the delays in deliveries were not considered unreasonable taking into account the fact that the specifications were amended a number of times during the course of manufacture. In some cases, it was also alleged that the Canadian manufacturers could not follow easily the instructions given to them by the inspectors. The question was examined *de novo* by the I.S.M.; but they were advised that the claims became time-barred some time in 1956 and nothing further could be done in the matter.

136. On the note furnished by the Ministry, the Audit commented as follows:—

> "There is no decision on record detailing the circumstances in which the I.S.M. Washington did not consider the question of the levy of liquidated damages. The reasons adduced by the Ministry in support of the inaction of

the I.S.M. are, therefore, *surmises which* are not susceptible of verification by Audit."

The Committee are not satisfied with the explanation given by the Ministry of W.H.S. The main purpose for permitting the American locomotive manufacturers to place their own orders on the U.K. manufacturers for components and fittings was to avoid delay in deliveries. If so, it is not clear why the I.S.M. did not take prompt action to claim damages as provided for in the contract, when the manufacturers did not keep up to the delivery dates. The plea that the case became time-barred in 1956 is ridiculous inasmuch as both the I.S.M. and the Ministry of Works, Housing & Supply had not been pursuing this matter with vigour at any stage. *The Committee deprecate the action of the I.S.M. and the Ministry of W.H.S. in being lenient in the matter of exaction of penalties. Such an attitude will reduce the penalty clauses of contracts to little more than an empty form of words. If penalty clauses are not invoked in time and the claims are allowed to lapse by efflux of time, there is a risk of contracting firms, parties etc. assuming that they can always disregard the limits of time in their contracts with impunity. The Committee recommend that this is a fit and proper case in which responsibility for the failure to claim liquidated damages in time should be definitely fixed and appropriate action taken against the officials whose failure cost the Government Rs. 4·5 lakhs.*

NEW DELHI;
The 4th April, 1959.
Chaitra 14, 1881 (*Saka*).

N. G. RANGA,
Chairman,
Public Accounts Committee.

PART II

PROCEEDINGS OF THE SITTINGS OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON THE 18TH, 19TH, 21ST, 22ND, 23RD AND 25TH JULY, 4TH SEPTEMBER, AND 2ND DECEMBER, 1958 AND 4TH APRIL, 1959

PROCEEDINGS OF THE EIGHTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY, THE 18TH JULY, 1958.

137. The Committee sat from 10.00 hours to 13.00 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

MEMBERS

2. Shri Arun Chandra Guha
3. Shri N. R. M. Swamy
4. Shri Rameshwar Sahu
5. Shri T. Sanganna
6. Shri Prabhat Kar
7. Shri N. G. Ranga
8. Shri H. C. Dasappa
9. Shri Khushwaqt Rai
10. Shri N. Siva Raj
11. Shri Amolakh Chand
12. Shri T. R. Deogirikar
13. Shri S. Venkataraman
14. Shri Rohit Manushankar Dave
15. Shri M. Basavapunnaiah.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General (Railways).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

Ministry of Finance (E. A. Department)

Shri R. Saran, *Deputy Secretary.*

Ministry of Railways (Railway Board)

Shri P. C. Mukerjee, *Chairman*

Shri J. Dayal, *Financial Commissioner, Railways.*

Shri Karnail Singh, *Member, Engineering*

Shri M. N. Chakravarti, *Member, Staff*

Shri K. B. Mathur, *Member, Transportation*

Shri N. K. Roy, *Additional Member, Works*

Shri N. C. Deb, *Additional Member, Finance*

Shri S. R. Kalyanaraman, *Additional Member, Commercial*

Shri Y. P. Kulkarni, *Additional Member, Staff*

Shri E. W. Isaacs, *Additional Member, Mechanical.*

APPROPRIATION ACCOUNTS OF THE RAILWAYS IN INDIA FOR 1955-56 AND 1956-57 AND AUDIT REPORTS, 1957 AND 1958.

Savings over voted grants—Audit Report, 1957 para 4(ii)

138. The Committee first took up the question of savings over voted grants. The Chairman drew the attention of the representatives of the Railway Board to Grant No. 14A—Withdrawal from Revenue Reserve Fund—wherein there had been a 100 per cent saving. Explaining the position, the representative of the Railway Board stated that the Revenue Reserve Fund was operated upon only when there were no surpluses. In the present case, there had been no need to draw from this Fund.

139. On being pointed out that the reason stated above was different from that given at page 62 of the Appropriation Accounts, 1955-56 where it had been stated that it was "due to write-back of the adjustment made in excess in the previous years to meet arrears of depreciation in respect of rolling stock replaced after 1942-43," the representative of the Railway Board stated that under the war-time rules of allocation, a portion of the expenditure was to be debited straightway to this Fund. *The present credit of Rs. 208 thousand to this Fund was afforded by the Western Railway while writing back the cost of locomotives transferred to another Railway as this amount had been originally debited to this Fund.

140. The Committee wanted to know whether such *ad hoc* rules of allocation during war years could still be followed even after the Railway Convention Committee of 1949 had indicated the purposes for which this Fund could be utilised. *The representative of*

*This information was given to the Committee on the next day.

the Railway Board observed that the Convention Committee's recommendations related to "future" transactions, and works etc. which were in the past regulated under the old rules, would continue to be so regulated. The Committee felt that in such matters Government would do well to place them before the Convention Committee so that they could indicate the precise scope of their recommendations vis-a-vis *pending cases on that date. The representative of the Railway Board agreed to do so in future.*

Non-utilisation of Supplementary Grants—Audit Report, 1957—Paras 4(ii) and 5(b) and Audit Report, 1958—Paras 4(ii) and 5(b).

141. The Committee next took up the following cases where Grants had been obtained when even the orginal Grants could not be spent fully.

1955-56

Demand No.	*Name of the Grant*
3	Revenue—Miscellaneous Expenditure.
12A	Open Line Works—(Revenue)—Labour Welfare.
16	Open Line Works—Additions.

1956-57

2	Revenue—Miscellaneous Expenditure.
20	Appropriation to Development Fund.

142. An important feature of Supplementary Grants for the year 1955-56 (aggregating to Rs. 45 crores) was that they were presented to Parliament on the 5th March and approved on the 23rd March, 1956. This was also more or less true of some of the Supplementary Grants for 1956-57. *The Committee were surprised that even within a week of the close of the financial year the Railway Board were not in a position to know the total amount of money to be expended by them on those grants during the year. They expected better results from the Railways in this respect as the Railways were a commercial concern having their own Accounts Offices which should have enabled them, unlike other Ministries, to prepare realistic estimates of their financial requirements.*

143. In extenuation the representative of the Railway Board stated that the non-utilization of the Supplementary Grants in most cases was due to non-receipt of promised stores and the debits therefor in time from the Indian Purchase Missions abroad—who were

under the administrative control of the Ministry of Works, Housing and Supply. The attention of the Railway Board was drawn to a memorandum submitted by them to the Public Accounts Committee, 1951-52 (Fifth Report, 1952—page 108) wherein they had stated that "Government have since decided to transfer the procurement of specialised railway stores to the Railway Board. It is hoped that budgeting relating to the transactions of these stores will henceforward be considerably improved inasmuch as the delay now occasioned under the existing arrangements in the adjustment of the inter-Departmental debits will be done away with."

144. The Comptroller and Auditor-General also referred to the orders issued by the Finance Ministry at the instance of the Public Accounts Committee. According to these orders, in order to maintain proper control over expenditure, the controlling officer was required to arrange to be kept informed of not only what was actually spent from an appropriation but also of the commitments and liabilities that had been and would be incurred against it. The Financial Commissioner, Railways stated that the Railway Board had also issued similar instructions.

145. *The Committee wanted to know (i) what were the figures of unspent balances in these grants at the end of February,* 1956, *and (ii) when did the Railway Board decide to bring Supplementary Grants for the years* 1955-56 *and* 1956-57 *before Parliament; the Financial Commissioner, Railways, promised to supply the requisite information.*

146. In regard to the non-utilization of the Supplementary Grant [No. 12(A)] under the head 'Open Line Works—Revenue—Labour Welfare', the Committee were told that it was due to the difficult supply position of cement and steel over which the Ministry of Railways had no control. He added that the estimates were based on assurances of store allocation and promises made to them. *The Committee felt that the Railway Board should base their estimates not merely on expectations and assurances but on their past experience of the fulfilment of these assurances.*

147. On being asked as to what was the value of the cement and steel involved in the items included in this Grant, the representative of the Board stated that it will have to be collected from railway to railway, work by work.

Southern Railway—Excessive rates for handling work paid to a contractor at Arkonam—Audit Report, 1957—Para 7

148. This case related to extra payments amounting to Rs. 1,06,825 made to a contractor due to a faulty clause in a handling contract in regard to a dump shed at the Arkonam Station. This contract which was awarded to the lowest tenderer at a rate of 15½ annas per ton provided that if reloading was undertaken after 24 hours of unloading in the dump shed, it should be treated as a new operation and paid for again at the above rate. The contractor's bills paid by the Administration showed that the bulk of the operations was of the latter type involving two separate payments. The Administration agreed that two separate payments for unloading and loading of the same goods should not have been made and explained that the said provision in the contract was retained as the exact implication of the provisions at the time the tenders were invited, was not fully realised. The contract was, however, terminated with effect from the 1st August, 1957 for unsatisfactory performance, and fresh tenders invited.

149. Explaining the background of this case, the Additional Member (Commercial), Railway Board stated that although there were agreements about transhipment shed in that Station, the idea of having a dump shed there was thought of only recently. The rate of 15½ annas per ton was the cheapest of rates tendered as a result of calling for open tenders. The tender Committee which included an Accounts Officer, while accepting this rate, compared the rate with the rates in force for the transhipment sheds at that Station. The overpayment had occurred because at the time of entering into the contract both the Administration and the contractor did not think of two separate payments. *If so, the Committee wanted to know why the Administration did not refuse when the contractor claimed such payment and take action to terminate the contract.* (This could have been done in February, 1956 *i.e.* within 3 months of the execution of the contract, as according to para 6 of the contract the contractor should present his claims within 3 months and if he did not, he would not get anything). The representative replied that the Railway Administration could not have terminated the contract except for unsatisfactory performance as it was a contract for a definite period. As regards the double payment, he added that a high level departmental Committee had been appointed recently to go into this case thoroughly and perhaps the Committee

might defer their conclusion till the departmental Committee finished the enquiry.

150. The Committee next referred to the statement in the Audit para that the provisions in the contract were not approved by the F.A. and C.A.O. and asked why his approval was not taken. In reply it was stated that there was a representative of the Accounts Department on the tender Committee and the standard form of the contract was seen by the Dy. F.A. and C.A.O. The Comptroller and Auditor General pointed out that even if the Dy. F.A. had seen the form of the contract, the G.M. should have consulted the Financial Adviser before giving his approval. In support of this he cited the procedure that was being followed at the Board level and opined that the procedure in the Railway Administration should not be different. *The representative of the Railway Board observed that this point would also be looked into by the departmental Committee.*

The Committee desired that the proper enquiry should be expedited and the conclusions communicated to them so as to enable them to furnish their recommendations quickly.

Eastern Railway—Loss on Account of Damage to and deficiencies of stores and fittings in wagons—Audit Report, 1957—*Para* 8

151. Heavy damages in respect of stores such as vacuum hose-pipes and brake blocks were noticed in the wagons returned by certain colliery sidings. These wagons had been examined before despatch from the Railway by train examiners. The deficiencies had to be made good by the Railway at considerable cost. The losses for the 7 months (August 1955 to February, 1956) amounted to Rs. 7,770. A monthly report of such losses for which the collieries were responsible was sent by the Head Train Examiner to the Divisional Mechanical Engineer, Carriage and Wagon, but debits against the collieries could not be raised in all cases for want of proper evidence.

152. As against the loss of Rs. 7,770 mentioned in the Audit Report for the period August, 1955 to February, 1956, the representative of the Railway Board told the Committee that the total loss sustained by the Railway up to date on this account was Rs. 3.49 lakhs, and after deducting payments made by colliery owners the latest figure stood at about Rs. 2 lakhs. In reply to a question, the Committee were told that there had been an increase in such cases since the period mentioned in the Audit Report.

153. The Committee were informed that some of the colliery owners had already made payments while others had protested that the damage did not take place in their sidings. The stand taken by the Railway Board was that once a wagon had been despatched to a colliery siding after proper train examination the collieries must be held responsible for their safety in their areas. There was a demand from the colliery owners that they must be given sufficient time to check all the fittings; which he said, could not be agreed to, as it would result in detention of wagons in the collieries for an unusually long time. All these issues would have to be settled with the Colliery Owners' Association.

The Committee expressed the hope that a decision in the matter would be taken quickly.

South Eastern Railway—Heavy arrears in the recovery of rent for Railway land leased to outsiders, Audit Report, 1957—Para 9

154. Railway land in station areas at a number of stations such as Shalimar, Garden Reach and Cuttack was leased to private parties for use in the movement of their merchandise by rail. The agreement with the lesses provided for the recovery of occupation fees monthly/half yearly in advance, and for the appropriation of the security deposit towards amounts due from them. In regard to Cuttack, the Railway Administration was also empowered to take recourse to summary proceedings to eject the defaulters in extreme cases under the Government Premises Eviction Act, 1950. Notwithstanding these safeguards, encroachments in a large number of plots took place as far back as 1948, and the recovery of rent from lessees was heavily in arrears. As the Government Premises Eviction Act, 1950 was declared *ultra vires* by the Calcutta High Court, no recourse to summary proceedings for eviction was possible in the case of plots at Shalimar and Garden Reach. Eviction notices were served in most cases and the legal proceedings instituted. As regards Cuttack, where the occupation fee was increased by 150 per cent to 233 per cent with effect from 1st October, 1950 the licencees protested and most of them stopped payment of rent. After discussion with the Users' Consultative Committee it was decided in July, 1955 that the enhanced rate of licence fees fixed in October, 1950 shall hold good and recoveries have commenced.

According to the figures of the Railway Board the amount of rent recovered till 31-5-1958 was Rs. 72,624 and the arrears on 1-6-58 stood at Rs. 1,32,000.

155. Regarding the steps taken by the Railway for the early recovery of arrears, it was stated that the position of the Railways in this respect was the same as that of a private owner and the only courses open to them were negotiation and pursuasion unless they filed a suit in a court of law. *When further asked if there were any cases in which the Railway had appropriated security deposits for the realisation of arrears, the representative of the Railway Board could not furnish the required details.*

North Eastern Railway—Delay in the revision of siding charges—Audit Report, 1957—Para 10

156. This case relates to inordinate delay in the finalisation of charge for a siding provided by the Railway in 1926 from Tinsukhia station to the oil-installation of an oil company for the carriage and distribution of their oil products which has resulted in an accumulation of heavy outstandings. Originally a lump-sum charges of Rs. 6,000 a year (Rs. 500 a month) was recovered from the Company for the traffic carried over the siding. In 1948, as a result of special investigations, it was discovered that the Railway actually incurred an expenditure of Rs. 37,560 during 1947-48 (Rs. 3,130 a month calculated on the basis of engine-shunting hours and the cost of the special staff employed on the siding. The siding charge was accordingly enhanced to Rs. 3,130 per mensem with effect from 1st January, 1949. After paying the increased charge for three months, the Company raised an objection that the revised charge was on the high side. The Railway Administration thereupon, decided to levy provisionally Rs. 1,855 a month from the 1st January, 1949 pending finalisation of the charges recoverable and made recoveries at that rate. This rate was, however, found to be inadequate, being much below the actual cost. As early finalisation was not in sight, the Financial Adviser and the Chief Accounts Officer proposed in December, 1954 that an additional amount of Rs. 1.66 lakhs for the period 1-1-49 to 31-10-54 might be recovered provisionally from the Company representing the difference between the recoveries already made and the siding charge on the basis of the cost of actual shunting engine hours. A bill for this amount was accordingly made out in December, 1954 but was not preferred against the Company. A letter was subsequently issued by the Railway Administration claiming an amount of Rs. 2.66 lakhs as due from the Company in respect of the period 1-1-49 to 31-12-56 on the basis of the yearly average of Rs. 26·62 per shunting hour instead of Rs. 17·42 per hour calculated for the year 1948-49.

157. In reply to a question asking for explanation for the inordinate delay in preferring the bill against the Company after it was made out in December, 1954, the representative of the Ministry could not give any convincing reply. He, however, added that they were going into the question of delay in this case.

158. Regarding the recovery of dues of siding charges, the Committee were told that about half the amount had been recovered and in respect of the remaining half, the basis of payment had been agreed to. The Committee were further told that the firm's request for scaling down of the remaining dues, on the ground that they were old payments, had not been agreed to by the administration. In reply to a further question, it was stated that no demand for interest on arrears had been made by the Administration.

159. The Committee then took up the question of standardisation of siding charges with reference to the ex-Saurashtra Railway sidings (now merged with the Western Railway) mentioned in par 16 of the Audit Report, Railways, 1956. They were told that on the ex-Saurashtra Railway there were in all 78 sidings and they may be divided in 10 categories as follows. For 37 sidings out of these, payments were current and in the case of 5, the owners had made part payments. The total amount recoverable was over Rs. 6 lakhs. Seven sidings had been dismantled; 5 were under dismantlement; 1 under correspondence; and in case of 5, owners were not making payments. There were some sidings the ownership of which was under correspondence with the Government of Bombay. He further stated that if the Committee so desired, he would furnish a memorandum to the Committee giving the requisite details.

160. As to the type of sidings from the point of view of ownership, it was stated that some of the sidings were owned wholly by the Railways, while others were owned partly by Railways and partly by private persons. It was further stated that the charges between various sidings used to vary and that the Railway Administration were trying to standardise them.

161. *The Chairman observed that the question of standardisation of siding charges should not be long delayed as the absence of standardisation resulted in complications and endless disputes.*

The Committee then adjourned to sit again on 19th July, 1958, at 10.00 *hours.*

PROCEEDINGS OF THE NINTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON SATURDAY, THE 19TH JULY, 1958.

162. The Committee sat from 10·00 hours to 13·00 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

PRESENT

2. Shri Arun Chandra Guha
3. Shri N. R. M. Swamy
4. Shri Rameshwar Sahu
5. Shri T. Sanganna
6. Shri Prabhat Kar
7. Shri N. G. Ranga
8. Shri H. C. Dasappa
9. Shri N. Siva Raj
10. Shri Amolakh Chand
11. Shri T. R. Deogirikar
12. Shri S. Venkataraman
13. Shri Rohit Manushankar Dave
14. Shri M. Basavapunnaiah.

Shri A. K. Chanda, *Comptroller & Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy C & A.G. (Railways).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

Ministry of Railways (Railway Board)

Shri P. C. Mukerjee, *Chairman.*

Shri J. Dayal, *Financial Commissioner.*

Shri K. B. Mathur, *Member, Transporatation.*

Shri Karnail Singh, *Member, Engineering.*

Shri M. N. Chakravarti, *Member, Staff.*

Shri N. C. Deb, *Addl. Member, Finance.*

Shri Y. P. Kulkarni, *Addl. Member, Staff.*

Shri E. W. Isaacs, *Addl. Member, Mechanical.*

Shri N. K. Roy, *Addl. Member, Works.*

Shri S. R. Kalyanaraman, *Addl. Member, Commercial.*

Ministry of Finance (Department of Economic Affairs)

Shri R. Saran, *Deputy Secretary.*

Savings on voted grants—Para 4(ii) of Audit Report, 1957

163. At the outset, the representative of the Railway Board furnished information on some points required by the Committee at their sitting held on the 18th July, 1958.

North-Eastern Railway—Delay in revision of siding charges—Para 10 of Audit Report, 1957

164. Resuming consideration of the above para from the 18th July, 1958, the Committee enquired as to why no review was made of the siding charges between 1926 and 1948. The representative of the Railway Board stated that this portion of the line belonged to a company and was acquired only during the war period. In reply to a further question as to why the Railway Administration agreed to levy a provisional rate of Rs. 1,855 a month when the actual expenditure incurred was Rs. 3,130 a month, the Committee were informed that as the company had objected to the validity of the additional charges it was decided that, pending final settlement, the provisional amount of Rs. 1,855 a month in respect of which there was no dispute might be realised first.

165. When the attention of the representative of the Railway Board was invited to the statement in the Audit para that the increased charge (at Rs. 3,130 p.m.) was paid by the Company for 3 months from January, 1949, the representative of the Railway Board stated that it was not correct. The firm did not pay at the enhanced rate but continued to pay at the old rate.

166. *Thereupon the Chairman observed that such controversies over facts should not arise as the paras in the Audit Report were vetted by the Administrative Ministries concerned from*

the factual points of view. He drew the attention of the Committee to para 37 of their First Report, 1951-52 wherein the Committee had deplored the tendency on the part of some Ministries to refute the facts embodied in the Audit Reports even though, as the Committee were told by the C. & A. G., the statement of facts had been earlier verified by the executive.

167. When asked as to what progress had been made in fixing a uniform basis of rates for siding charges on all the Railways by June, 1958 as suggested by the Committee in para 27 of their Fourth Report, the representative of the Railway Board stated that substantial progress had been made in regard to the implementation of the standard basis for siding charges on all Railways. However, on the South-Eastern and Eastern Railways there were some difficulties besides others, in fixing the minimum time for each shunting operation for each siding which was the basis of the siding charges. Moreover in some cases *e.g.* on Eastern Railway the problem had peculiar features and required careful examination. Even the traders themselves have disclosed a preference for the existing system even when the aggregate charges were more than in the revised system. So they had to take into consideration all the factors before making any change. *He added that every endeavour would be made to introduce uniformity in fixing the siding charges on all the Railways by the 1st April*, 1959.

Western Railway—Non-recovery of siding charges at the revised rates—Para 12 of Audit Report, 1957.

168. The Western Railway Administration revised the siding charges in February, 1950 to take effect from 1st April, 1950. The siding owners were, however, asked only in May, 1951 to accept the revised rates from the 1st April, 1950. Twenty siding owners accepted the revised rates from this date while four agreed to pay the revised rates from the dates of their acceptances. The amount outstanding for recovery from the latter from 1st April, 1950 to the dates of acceptances amounted to Rs. 9,793. Twenty-five siding owners refused to accept the revised rates. The difference between the recoveries at old rates already made and recoveries due at the revised rates from 1st April, 1950 to 31st August, 1953 amounted to Rs. 75,763.

169. During the discussion the Committee were informed that Rs. 4,000 had already been collected from the siding owners who formerly did not agree to the revised rates. Most of the others had also agreed in principle to pay at the revised rate but they had desired a scaling down of shunting time.

170. Explaining the reason as to why there was delay of one year in informing the siding owners of the revision in the charges, the representative of the Railway Board stated that the General Manager of the Railway had in April, 1950 only approved the charges per shunting engine hour for different gauges. But calculations had to be made to determine the actual amount of siding charges in respect of each siding on the basis of the actual number of shunting engine hours for each siding.

171. The Committee were not satisfied with this explanation. *They felt that the better course would have been to inform in advance the siding owners about the impending change and communicate the actual amount of payment later on after making the necessary calculations.* It would have not only avoided the time lag in the introduction of revised siding charges but would have also facilitated the Railways in discharging their obligation to give six months, notice as required in cases of some agreements.

172. The Committee also desired that the Railway Board should see that such cases did not recur in future. *Moreover, responsibility should be fixed and suitable action taken against the defaulting officers in such cases.* The representative of the Railway Board agreed to it. He also informed that recently instructions had been issued by the Railway Board that the arrears of siding charges should not be allowed to accumulate and the Railways were examining the position in regard to each siding.

Charges on account of haulage of oil at Budge Budge—Eastern Railway—Para 10 *of Audit Report*, 1958.

173. Wagons containing oil and oil products booked to and from Budge Budge have to be loaded and unloaded at a safe distance from the station as required by the regulations for handling inflammable articles. For this purpose, lines have been laid by the Railway Administration with a number of loading and unloading points and about Rs. 1·65 lakhs a year is spent by the Railway Administration for the haulage of wagons carrying oil and oil products.

174. Before the war, Budge Budge was a joint passenger-*cum*-goods booking station. During the war, for operational reasons, the passenger station was shifted to a point about a mile away from the old station in the direction of and nearer Calcutta. According to the Audit paragraph, with the segregation of the goods station from the passenger station during the war, the matter required review to ascertain whether the loading and unloading points served the con-

venience of the oil companies more than was required by the safety regulations and whether siding charges should not be levied to cover the haulage charges.

175. The representative of the Railway Ministry stated that according to the principles enunciated in 1930, if any siding were constructed which was convenient to the Railways for the purpose of discharging their responsibility, no additional charge was taken from the party. But if the siding was so located as to serve basically the interests of a particular firm away from the station, charges were levied. Under the law, Railways are required to provide certain terminal facilities for all types of goods and the facilities on these lines have been provided in pursuance of that legal obligation. As these sidings had not been laid specifically for the benefit of the oil companies no siding charges were levied and the position had not changed by the shifting of the passenger station. The charges for all goods traffic from Budge Budge continued to be the same as before despite the shifting of the passenger station as the basis of distance was different in the two cases.

176. The Chairman, however, felt that this matter required further examination by the Railway Board. He felt that in a number of cases in practice the benefit to the consumer might synchronise with the benefit to the Railways and in such cases the decision should be fair to both. *The Committee wanted the Railway Board to examine this matter and let them know the views of the Board.*

South-Eastern Railway—Outstanding freight bills against a firm—Para 11 of Audit Report, 1957.

177. A firm on the South-Eastern Railway was authorised in May, 1951 to pay freight charges by credit notes on furnishing a security deposit of Rs. 25,000. Amounts due on the credit notes tendered by it up to January, 1952 were not paid in many cases and one cheque was also dishonoured. The total outstanding dues amounting to Rs. 18,596 were adjusted against the firm's security deposit in March, 1952 leaving a balance of Rs. 6,404 with the Railway. The credit facility to the firm was stopped in February, 1952. Upto January, 1952 the firm also continued to get their coal wagons booked under the 'weight only' system which was not authorised as its name was not included in the Coal Tariff. A bill for Rs. 13,433 pertaining to August, 1951 remained unpaid. No steps were, however, taken to stop the firm's bookings till January, 1952 by which time the outstanding amount against the firm increased to Rs. 40,075. After setting off the balance of the security deposit of Rs. 6404 with the Railway and an over-charge of Rs. 516, the net loss to the Railway

amounted to Rs. 33,155. As the firm was declared insolvent by the High Court on 4th April, 1952, a claim for the amount of Rs. 33,155 was made to the official assignee through the Railway solicitors in May, 1955 but there was no prospect of realising the amount. A Committee had been appointed to hold an enquiry and to fix responsibility of the staff in this case.

178. The Committee were informed that the Report of the Enquiry Committee had not yet been received but was expected shortly. *The Committee, therefore, decided to await the findings of the Enquiry Committee.*

Eastern Railway—Loss owing to delay in the revision of rates for goods traffic—Para 13 of Audit Report, 1957.

179. In this case the Eastern Railway issued orders in March, 1955 revising the rates for goods traffic with effect from 1st April, 1955, but in the case of sidings for coal, coke and patent fuel the revised rates were introduced from 27th June, 1955 resulting in loss in earnings of approximately Rs. 10,000.

180. Explaining the circumstances for the delay the representative of the Railway Board stated that siding charges and goods tariff rates were entirely different and normally the former were not based on changes in the latter. They are based on the cost for shunting and the time it took. But in this case the siding charges had to be arrived at by multiplying the class rates with the mileage and notified in a lump-sum rate per ton for each siding. This fact was overlooked in the earlier stages. Later, the Railway could introduce it only in June, 1955, after making necessary calculations.

181. *The Committee thought that in such cases the parties concerned could be informed in advance of the contemplated revision of the rates and the actual rate could be intimated later on after making necessary calculations which would apply with retrospective effect.* The representative of the Railway Board felt that there were some legal difficulties in this course but agreed to examine the matter further.

The Committee then adjourned till 14.30 *hours on Monday, the* 21*st July,* 1958.

PROCEEDINGS OF THE TENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY, THE 21ST JULY, 1958.

182. The Committee sat from 14-30 to 17-40 hours.

PRESENT

Shri T. N. Singh, *Chairman*

MEMBERS

1. Shri Arun Chandra Guha
2. Shri N. R. M. Swamy
3. Pandit Jwala Prasad Jyotishi
4. Shri Rameshwar Sahu
5. Shri T. Sanganna
6. Shri Prabhat Kar
7. Shri N. G. Ranga
8. Shri H. C. Dasappa
9. Shri Khushwaqt Rai
10. Shri N. Siva Raj
11. Shri Aurobindo Ghosal
12. Shri Jaipal Singh
13. Shri Amolakh Chand
14. Shri T. R. Deogirikar
15. Shri S. Venkataraman
16. Shri Rohit Manushankar Dave
17. Shri M. Basavapunnaiah.

Shri A. K. Chanda, *Comptroller & Auditor General of India*

Shri P. C. Padhi, *Additional Deputy C. & A.G. (Railways)*.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

Ministry of Railways (Railway Board)

Shri P. C. Mukerjee, *Chairman.*

Shri J. Dayal, *Financial Commissioner, Railways.*

Shri M. N. Chakravarti, *Member, Staff.*

Shri K. B. Mathur, *Member, Transportation.*

Shri Karnail Singh, *Member, Engineering.*

Shri N. K. Roy, *Addl. Member, Works.*

Shri S. R. Kalyanaraman, *Addl. Member, Commercial.*

Shri N. C. Deb, *Addl. Member, Finance.*

Shri Y. P. Kulkarni, *Addl. Member, Staff.*

Shri E. W. Isaacs, *Addl. Member, Mechanical.*

Ministry of Works, Housing & Supply

Shri M. R. Sachadev, *Secretary.*

Shri V. N. Rajan, *D.G.S. & D.*

Ministry of Finance (Department of Economic Affairs)

Shri R. Saran, *Deputy Secretary.*

North Eastern Railway—Loss owing to failure to inspect supplies when offered—Para 14 of Audit Report, 1958 and North Eastern Railway—Loss owing to failure to inspect supplies in time—Para 15 of Audit Report, 1957.

183. The two paragraphs disclosed irregularities of a similar type pertaining to the same Railway Administration. In the earlier case referred to in Audit Report, 1958, the D.G.S. & D. placed an order on the 22nd January, 1954, on a certain firm for the supply of 5910 cft. of 'Kanju Logs' to be delivered by 31st July, 1954. A copy of the acceptance of tender was also sent to the Sleeper Control Officer, N. E. Railway.

184. On the 23rd January, 1954, the firm tendered for inspection 2000 cft. of timber at each of three stations and another consignment on 8th March, 1954 at two stations. The inspection could not be arranged till the third week of April, 1954, due to the shortage of inspection staff. Meanwhile, the firm informed the authorities that the wood was susceptible to deterioration in hot weather and that the material would be lying till 31st July, 1954 at the risk of the purchaser. On the 21st April, 1954, the Sleeper Passing Officer visited

two out of three stations. At one place there was no wood for inspection while at the other it was below specification. The officer did not visit the third station on the verbal information from the agent of the firm that the stores offered had been withdrawn. The officer submitted a report stating the above facts to the D.G.S. & D. on 29th April, 1954. The inspection scheduled for other two stations on 30th April, 1954, was also not carried out on the verbal message from the firm's Manager that the timber at those stations had deteriorated and was not worth inspection. A report to this effect was also sent to the D.G.S. & D. on the 20th May, 1954, who instead of taking the matter up with the contractor referred it back to the inspecting officer seeking further clarification. The delivery period having expired by this time the D.G.S. & D. extended the date to 31st October, 1954 without consulting either the Railways or the Suppliers. The firm rejected the extension of delivery period and claimed damages from the Government. The arbitrators unanimously held the Government responsible for breach of contract and awarded Rs. 15,000 against the Government.

185. Later on 31st January, 1955 a contract was awarded to the same firm by the D.G.S. & D. for supply of 8,000 cft. of Sal Logs by the 30th April, 1955. The firm tendered the goods for inspection on 7th February, 1955. An advance copy of the acceptance of tender was sent to the C.E., Sleeper Passing Branch, North Eastern Railway, but was not received by him. On 18th February, 1955 the Inspecting Officer called for a copy of the acceptance of tender from the D.G.S. & D., which reached him only on the 10th March, 1955. However, the inspection could not be arranged due to the pre-occupation of the inspecting staff with the work of other Railways till April, 1955. On the 19th and 24th April, 1955 the firm intimated orally to the inspecting authorities that the timber would not be offered for inspection as an extension of the delivery period had been asked for. Consequently the inspection was not arranged.

186. On 3rd May, 1955, the firm notified to the D.G.S. & D. that the goods had not been inspected in time and that they would be sold at the risk of the Government. The arbitration held the Government responsible for breach of contract and awarded Rs. 10,000 against the Government.

187. The Committee desired to know as to why the contractor who failed to fulfil the contract in the first case, was engaged for the second time by the D.G.S. & D. within a period of three months. The representative of the Ministry of Works, Housing & Supply stated in extenuation that a contractor who failed in one contract for reasons beyond his control might succeed in subsequent cases. It was

therefore, not a normal practice to debar such contractors from contracting for future works. *On further examination it was, however, admitted by the D.G.S. & D. that this would not have happened had the officer awarding the second contract remembered the earlier case.*

188. In reply to a question as to why no action was taken by the D.G.S. & D. on receipt of the inspection reports in April and May 1954 the representative of the Ministry of Works, Housing and Supply stated that the reports were not properly written by the Inspecting Officer and it was not clear whether the officer had actually visited the stations in question or merely relied on oral statements. In their view the inspector instead of relying on oral statements of the contractors should have either obtained something in writing from the firm or visited all the places of inspection. The representative of the Railway Board, however, observed that there was no ambiguity in the inspection reports. It was clear from the reports that the inspector visited two stations. At one station there was no material while at the other the timber was below specifications. *He admitted that it was a mistake on the part of the inspector to have relied on the oral statement of the contractor; he should have obtained the statement in writing.* He added that subsequently instructions have been issued to all the Inspecting Officers not to do anything on trust but to get everything in writing from the contractors.

189. The Committee felt that the whole case was not properly handled by the D.G.S. & D. On receipt of the inspection reports the D.G.S. & D. did not take up the matter at all with the suppliers. His action in extending the date of delivery unilaterally without consulting either the supplier or the Railways was also not in order. Had the Directorate pursued the matter with the supplier on receipt of the inspection reports the loss would have been averted. The D.G.S. & D. acquiesced in this.

190. The Committee's attention was drawn to a sentence in the arbitrators' order which stated that "it had been admitted on behalf of the Government that the total quantity was tendered for inspection at the five places". It, therefore, followed that the inspector visited only two places out of the five. *The Committee were concerned over the way in which the case was conducted on behalf of the Government before the arbitrators.*

191. With regard to the second case the representative of the Ministry of Railways admitted that the inspecting officer was at fault in trusting the oral statements of the contractors. He should have obtained everything in writing from them. He further stated that

instructions had since been issued to all inspecting officers to be more vigilant in their dealings with suppliers in order to guard against the recurrence of such cases in future.

Southern Railway—Extra Expenditure owing to a defective agreement—Para 16, *Audit Report,* 1958.

192. On the 24th October, 1950, the D.G.S. & D. placed an order on a firm for procurement of underground cables to meet an urgent demand received from the Southern Railway Administration for a work for which staff had already been appointed. The firm offered to deliver the goods in two months ex-works after the receipt of an import licence. The delivery date entered in the contract was 25th December, 1950 or earlier but the following clause was also inserted in the contract by the D.G.S. & D.:

> "The delivery date quoted is contingent on your not being delayed as a result of non-deliveries of raw material or by any other cause beyond your control."

193. The requisite import licence was sent to the firm on 9th February, 1951; but the firm failed to supply the goods till October. The firm was served with a risk purchase notice by the D.G.S.&D. on 29th October, 1951. In November, 1951, the firm requested cancellation of the order owing to difficulty in obtaining raw material. It was not possible to enforce the risk purchase against the firm in view of the protective clause referred to above. The stores were later purchased by the Administration at an additional expenditure of Rs. 45.064 over and above the loss incurred on the salaries of idle staff.

194. It was brought to the notice of the Committee that the firm had specifically stated in their tender that they had sufficient raw material in stock for the manufacture of the stores. The protective clause was, however, inserted as a matter of routine on the basis of the general terms and conditions printed on the form of the tender. It was also admitted by the D.G.S. & D. that the officer who got the clause inserted in the contract was not competent to do so. *The Committee felt that in view of the specific statement of the firm that it had raw material in stock and the urgency of the demand the insertion of the above clause was questionable whereby the Government became unable to enforce the contract.*

South-Eastern Railway—Supply of inferior quality brushes—Para 17 *of Audit Report,* 1958.

195. Paint and varnish brushes worth Rs. 1·76 lakhs were obtained by the Railways through the D.G.S.& D. Most of the consignments

(to the extent of Rs. 1·34 lakhs) were found in laboratory tests and actual use to consist of brushes of inferior quality and poor finish and were, therefore, rejected. Consequently, the D.G.S.&D. was requested to arrange reinspection of the goods and their replacement. The D.G.S.&D. on the other hand stated that the rejected lot of brushes, which were tested in the Government Test House, showed that there were no defects. Whatever defects were noticed were stated to be due to the negligence on the part of the Railways in storing them haphazardly.

196. The D.G.S.&D. informed the Committee that a joint enquiry Committee consisting of officers both from the Ministries of Railways and the Works, Housing and Supply had been set up to investigate further into this case and their conclusions were awaited shortly. The Committee decided to await those conclusions. The Committee were informed that imports of brushes had since been stopped and that they were being manufactured indigenously.

Central Railway—Purchase of point rodding—Para 13 of Audit Report, 1958.

197. In October, 1955, the Controller of Stores, Central Railway, received an urgent demand for 10,000 yards of point rodding for delivery by March, 1956. The D.G.S.&D. had at that time a rate contract with a firm in Calcutta for the supply of this material during the period August, 1955 to July, 1956 at the rate of Rs. 4/5/3 per yard. The Controller of Stores, Central Railway, was authorised as one of the Direct Demanding Officers, to place orders direct against this contract up to a monetary limit of Rs. 50,000 in any one case. Instead of placing order against this contract, the Controller of Stores, Central Railway, resorted to direct purchase on grounds of urgency in February, 1956, from a Bombay firm at Rs. 6 per yard for 8,000 yards in monthly instalments and thereby incurred an extra expenditure of Rs. 6,781.

198. Another demand for 30,000 yards of point rodding was received by the Controller of Stores in April, 1956. The material was required to be supplied by October, 1956. In July, 1956, the D.G.S.&D. entered into a running contract with a Bombay firm for the supply of point rodding during the period August 1956 to July 1957 at the rate of Rs. 4-8-0 per yard, in which the supply of 1,02,666 yards to the Central Railway was provided. Although the order for 30,000 yards could have been placed against this running contract under the terms of contract, the Controller of Stores placed a direct order on the same firm in January, 1957 for the supply of the material at a higher rate (Rs. 6 per yard) and thereby incurred avoidable expenditure to the extent of Rs. 45,000.

199. In extenuation, the representative of the Ministry of Railways stated that supplies under the rate contract of the D.G.S.&D. were not being made satisfactorily and that the demand in question being urgent, direct purchase was resorted to by the Controller of Stores. *The Committee could not appreciate the plea of urgency of the demand when orders against the demands received in October,* 1955, *and April,* 1956 *were placed on the firms in February,* 1956 *and January,* 1957 *respectively by the Controller of Stores,* i.e., *after* 4 *and* 8 *months respectively.*

200. The Committee also expressed their concern over the awkward situation created by the two Ministries of the Government offering different rates for the same article by the same firm during the same time. In their opinion the offer of the Railway Administration for the supply of the same material at a rate higher than that settled by the D.G.S.&D. was not fair as, apart from resulting in avoidable expenditure, it indirectly hampered the progress of the running contract entered into by the latter.

Ganga Bridge Project—Avoidable expenditure in the purchase of spare parts of earth moving machinery—Para 8 *of Audit Report,* 1958.

201. An indent for earth moving machinery for the Ganga Bridge Project was placed on the D.G.S.&D. by the Railway Administration in September, 1954, the order for which was placed by the D.G.S.&D. in December, 1954. Indents for the purchase of spare parts required for the maintenance and overhaul of the machines were, however, sent to the D.G.S.&D. in April, 1955. As most of the parts were required before October, 1955 they had to be purchased *ex*-stock by the D.G.S.&D. Had the order for spare parts been placed along with the machines or soon thereafter, forward delivery prices could have been obtained and about Rs. 1·09 lakhs could have been saved.

202. The representative of the Railway Board explained that it was only in December, 1954 that the type of the machinery to be purchased was finally decided. It was only after consulting the other Project Administrations, having their own experiments and scrutinizing the detailed catalogue supplied by the suppliers in March, 1955 that the Railway Administration could decide upon the type and extent of the spare parts which were necessary for them. It was stated that the period of three months was the minimum required for this purpose. The Committee desired to be furnished with a list of spare parts which had been procured by the Administration on an emergency basis and the extent to which these had been utilized during the period for which they were intended.

The Committee then adjourned to meet again on Tuesday, the 22*nd July,* 1958.

PROCEEDINGS OF THE ELEVENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON TUESDAY, THE 22ND JULY, 1958.

203. The Committee sat from 10.00 hours to 13.15 hours.

PRESENT

Shri T. N. Singh—*Chairman*

MEMBERS

2. Shri Arun Chandra Guha
3. Shri N. R. M. Swamy
4. Shri Rameshwar Sahu
5. Pandit Jwala Prasad Jyotishi
6. Shri T. Sanganna
7. Shri Prabhat Kar
8. Shri N. G. Ranga
9. Shri H. C. Dasappa
10. Shri Khushwaqt Rai
11. Shri Jaipal Singh
12. Shri Amolakh Chand
13. Shri T. R. Deogirikar
14. Shri S. Venkataraman
15. Shri Rohit Manushankar Dave
16. Shri M. Basavapunnaiah.

Shri A. K. Chanda, *Comptroller & Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller & Auditor General (Railway).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

Ministry of Railways (Railway Board)

Shri P. C. Mukerjee, *Chairman*

Shri J. Dayal, *Financial Commissioner, Railways*

Shri Karnail Singh, *Member, Engineering*

Shri M. N. Chakravarti, *Member, Staff*

Shri K. B. Mathur, *Member, Transportation*

Shri N. K. Roy, *Addl. Member, Works*

Shri N. C. Deb, *Addl. Member, Finance*

Shri S. R. Kalyanaraman, *Addl. Member, Commercial*

Shri Y. P. Kulkarni, *Addl. Member, Staff*

Shri E. W. Isaacs, *Addl. Member, Mechanical.*

Ministry of Commerce & Industry

Shri K. V. Venkatachalam, *Joint Secretary.*

Ministry of Finance (Department of Economic Affairs)

Shri R. Saran, *Deputy Secretary.*

North-Eastern Railway—Loss of materials issued to a contractor—Para 14 of Audit Report, 1957.

204. In August, 1950 a labour contract to the value of about Rs. 50,000 for the construction of staff quarters on two sections of Gorkhapur Division was awarded. The contractor failed to complete the work but materials worth about Rs. 14,000 supplied to him between 1950 and 1952 but not utilised by him for construction work were not returned.

205. The contractor denied receiving the materials to this value. The Administration have withheld his dues aggregating Rs. 11,829 and the Chief Engineer is also taking action to recover the balance of Rs. 2,176 either from the contractor's dues, if any, or from the Inspector of Works responsible for issuing materials in excess.

206. It was disclosed by the representative of the Railway Board in reply to a question that no receipts had been obtained from the contractor for the materials issued to him. In extenuation, it was stated that in this case, no receipt for materials had been obtained as it was a contract for labour only and material had to be supplied to the contractor at the site. In such cases, the materials were unloaded at the site of the work from the ballast train and no

acknowledgements were taken. It was pointed out by the Comptroller and Auditor General that para 1438 of the Indian Government Railway Code for Engineering Department laid down that when any material at site was issued to a contractor, an acknowledgement of the receipt of the materials should be taken from him by the Inspector of Works or other officers in the field. The representative of the Railway Board admitted that it was the Inspector of Works who was responsible for the material brought at the site in this case till the material was handed over to the contractor. The plea of the Railway in this case was that the material had actually been handed over to the contractor though no acknowledgement was taken from him.

207. When asked about the disciplinary action taken against the Inspector for not obtaining the receipt, it was stated that disciplinary action was in progress now after five years. A charge-sheet had been issued to him on the 1st March, 1956 asking him to show cause why the cost of the material should not be recovered from him.

208. The Financial Commissioner in answer to a question as to what was the actual procedure with regard to the obtaining of receipts from contractors and whether any exception was made in the case of labour contracts, as stated by the representative of the Board earlier, informed the Committee that at all times the authority responsible for the custody of stores should, at the time of issue of materials, obtain a receipt for the material issued. Until such time the material was issued to the contractor, the Railway remained responsible. In this case, it was clear that the Inspector of Works should have taken the receipt.

209. Replying to a question regarding the protection of the interests of the Railways at the spot where the materials are dumped prior to handing over, it was stated that the Engineering Supervisor should be on the spot being in charge of the stores. He is to check them and to ensure that they are not pilfered. In the present case results of an enquiry had established that materials were issued to the contractor. *The Supervisor had failed to get the receipt and in order to obviate the possibility of repetition of such instances, the Northern Railway have issued instructions that the Inspector of Works should obtain the receipt of the contractor or any authority authorised by him for any material that was supplied to the contractor. All the Railway Administrations have been informed of this position.*

210. It was further disclosed in answer to a question that the Inspector did not make any report as to whether the material was actually used on the work for which it was meant or used for some other purpose. The Chairman observed that it should be insisted

upon every time as a measure of prudence that receipts should be obtained in all cases as there was always a chance that during the interregnum between the unloading of materials and handing them over, they might be lost or pilfered. *As regards the disciplinary case, the experience of the Committee had been that cases were unduly prolonged and in most cases where the guilty persons were on the verge of retirement, the cases were finalised only when they had actually retired. Such things give rise to suspicions.*

Central Railway—infructuous expenditure on freight charges—Para 16 of Audit Report, 1957.

211. This case disclosed an infructuous expenditure of Rs. 41,052 incurred in freight charges for the unnecessary movement of tie bars from Kanpur to Mandwa and back from Mandwa to Kosi Kalan. An indent on a Kanpur firm for 55,025 tie bars for relaying the Bhusawal-Itarsi section and 38,800 for Mathura-Delhi Section to be supplied at Mandwa and Kosi Kalan respectively was placed by the D.G.S. & D. in June, 1955. Owing to urgency the work in the Bhusawal-Itarsi section was carried out in December, 1954 with the tie bars obtained from existing stock in the Railway depots. Although the Assistant Engineer informed the Divisional Engineer that the tie bars indented for this work might be used on some other work in consultation with the Chief Engineer, the instructions regarding earlier consignments were allowed to stand.

212. In August, 1955, 22,000 tie bars became urgently necessary for relaying on the Poona-Raichur section. Tie bars supplied by the supplier from Kanpur for Delhi-Mathura section had by then reached Kosi Kalan. Under Chief Engineer's wireless messages of 5th September and 10th October, 1955 the bars were moved from Kosi Kalan to the Poona-Raichur section. On 12th October, 1955 the Railway Board decided to run air-conditioned *de-luxe* trains on the Delhi-Bombay and Delhi-Madras lines and it became necessary to relay the Delhi-Mathura section on a priority basis. Supply of tie bars for Bhusawal-Itarsi section commenced at Mandwa in January, 1956 and completed in June, 1956. At the instance of the Chief Engineer 22,500 of these tie bars were re-booked from Mandwa to Kosi Kalan.

213. In evidence, the representative of the Ministry of Railways (Railway Board) stated that the unnecessary movement in this case was because of the procedure of sending materials to a depot first and from the depot to the consumer later. In reply to a question as to why materials should not be sent direct to the place where they

were required, the representative stated that it was likely to result in confusion and sometimes lead to disastrous results in execution of work. The Comptroller and Auditor General intervened to point out to the Committee that Railway Board had already written to all the General Managers advising them to send the material direct to the sites as far as possible. In the present case, the Board had also stated that had the Railway Administration acted with vigilance and informed the D.G.S. & D. about the change in destination the unnecessary movement could have been avoided.

214. The Committee felt that in this case since instructions had already been issued by the Railway Board, the earlier explanation was unnecessary. They, however, desired to know whether the Chief Engineer concerned was not aware of the decision announced on 12th October, to run *de-luxe* trains when he ordered the movement of 22,000 tie bars indented for this Section, just two days before. Chairman, Railway Board promised to furnish the information.

Central Railway—Loss of permanent way materials—Para 17 *of Audit Report,* 1957.

215. In the case of four major works of doubling and relaying of track between Delhi and Agra during 1948—1951 no Depot Store Keeper was posted, as was the usual practice, to maintain the accounts of the permanent way materials required for these works. Permanent Way Inspectors were made responsible for this. The prescribed procedure for the maintenance of accounts was not followed resulting in confusion; monthly returns were not sent regularly; departmental verification was not carried out and periodical stock verification also could not be done. The quantities of materials actually used on these works were physically counted at site during 1952—55 for comparison with the quantities charged to the works through stores vouchers. This revealed a shortage of materials worth Rs. 93,000. Of this, a loss of Rs. 2,231 has been written off and the balance remained to be regularised. *No individual responsibility for the shortages has been fixed in this case. According to the Railway Administration, as the works were being carried out under emergent conditions, investigation of discrepancies could not be completed and the accounts straightened till the works were completed.*

216. In reply to a question why a deviation from the usual practice was made in this case and no Store Keeper posted, the representative of the Railway Board stated that it was usual to post a Depot Store Keeper in such works, but in this case of rush job in 1948 after

partition, it could not be done. The work had to be done to meet a national emergency and when this was done a loss of Rs. 93,000 only for the work relating to a track of 145 miles occurred which was only half per cent of the total. Explaining why pre-planning could not have been done in this case, it was stressed that this being a rush job, there was very little time for pre-planning. Further, with the difficulties prevailing then, it would have taken the Administration a long time to post the staff.

217. *The Chairman, Railway Board and the Financial Commissioner, Railways agreed with the suggestion made by the Chairman that in emergencies there was need for stricter control of accounts and it was always desirable to have the proper personnel who will maintain the store accounts correctly. Just as they placed in position the engineers and other officers in an emergency they should also post the accounts staff and store keepers.*

Non-clearance of suspense items in connection with advance of pay given to displaced staff who migrated to India—Para 18 *of Audit Report,* 1957.

218. The Ministry of Railways (Railway Board) sanctioned in August, 1947 the grant of advances to staff who migrated from Pakistan to India of two months' pay for officers and subordinates, one month's pay for Class IV servants and 30 days' actual wages for daily rated staff recoverable in three monthly instalments. This was further relaxed to recovery in 24 or 36 instalments as the employee might choose. The amounts advanced were placed under the suspense head "Miscellaneous Advances" pending recovery from the employee. But large outstandings remained to be cleared in the books of the various Railways.

219. It was disclosed in evidence by the representative of the Railway Board that special attempts were made to reconcile the figures. A sum of Rs. 55,804 which could not be reconciled had been written off in consultation with Audit. The Comptroller and Auditor General in elucidating the matter further stated that the Railway Board have linked credits amounting to Rs. 4·91 lakhs against a debit balance of Rs. 5·47 lakhs. Setting off one against the other, the net loss to the Railway was Rs. 55,804 which has been written off as irrecoverable.

Points outstanding from previous Reports (Railway Audit Report, 1955)—*Para* 20(*ii*) *of Audit Report* 1957. *Rationalised distribution of stores and reduction in stores balances.*

220. On the 31st December, 1956 stores worth Rs. 2·90 crores awaited disposal out of surplus stores worth Rs. 10 crores as on the

31st March, 1951. Scrap worth Rs. 2·81 crores also remained to be disposed of on the 31st December, 1956.

221. The representative of the Railway Board stated in reply to a question that as against the figure of surplus stores worth Rs. 2·90, crores the figure upto the end of 1957 was Rs. 2·40 crores. It was further stated by him that it was actually a classification within the Railways and this surplus could be utilised on other Railways. When asked to clarify as to what the actual position was and whether the entire stores had since been taken back as normal stores or if the surplus was absolute surplus to be disposed of and the balance to be taken into the stores at charge, it was stated that at present they had included the stock in the expectation that they would require them.

222. As regards scrap it was disclosed in reply to a question that the Railways were themselves short of scrap now and therefore they were conserving it to be able to use it for railway requirements in lieu of metals which could not be obtained. In return for metals they issued the scraps instead of selling the scrap and buying metals. Although there was a heavy surplus, there was an immediate demand for it. The selling of scrap to private trade had been banned since about last eighteen months. The price ratio of the metal to the scrap was the conversion loss only.

223. Continuing, the representative of the Railway Board stated that normally the scrap given by the Railway was returned as metal to them after conversion. The ferrous scrap was given to the persons nominated by the Iron and Steel Controller for conversion into metal. The Railways did not manufacture steel themselves. Whatever material they themselves could not utilise was sent to the Iron and Steel Controller and most of the non-ferrous scrap was utilised in the Railway foundries.

North-Eastern (Ex-Oudh Trihut) Railway—Unsatisfactory state of stores priced ledgers—Para 20(iii) of Audit Report, 1957 (Para 22 of Audit Report, 1955).

224. Out of 32,243 cards on the 31st December, 1953, the reconciliation in respect of 5,585 cards remained to be done on the 31st December, 1956. Reconciliation work relating to 878 cards showing a difference of over Rs. 150 could not be done as they were not traceable. 2700 cards with differences below Rs. 150 were outstanding.

225. The Comptroller and Auditor General informed the Committee about the latest position with regard to this paragraph. With regard to 2,700 cards the work involved was laborious and was not commensurate with the results expected. The value of the differences was equal to Rs. 1 lakh and if efforts to reconcile the difference

were continued a few lakhs might have to be spent. The Railway Administration had reviewed the transactions in the price ledgers and the numercial ledgers for six months preceding 21st October, 1953 to ensure the correctness of the entries therein. As regards 878 cards which were not treaceable, the Railway Administration was fixing responsibility.

226. The representative of the Railway Board stated in this connection that where reconciliation was proving difficult and where it was established that it could not be reconciled, they had decided in such cases to write them off.

Central Railway—avoidable expenditure on water charges—Para 12 of Audit Report, 1958.

227. An agreement for 10 years for the supply of water to the Railway by the Jabalpur Municipality at the rate of Re. 1 per 4,000 gallons and at Re. 1 per 2000 gallons during periods of water famine was due to expire on the 9th May, 1952 from which date notice of six months would run if either side wished to terminate the agreement. On the 22nd April, 1952, the Municipality sent for approval a draft of a new agreement providing for the supply of water from the 10th May, 1952 at the rate of Re. 1 per 2400 gallons. The draft was approved by the Railway Administration on the 16th May, 1956. The Municipality returned it duly approved on the 15th January, 1957 with the stipulation that it would come into effect from the 1st January, 1957 and that during the period from 10th May, 1952 to the 31st December, 1956 the rates in the old agreement will apply. Payment for water consumed for that period had been made at the predominantly higher of the old rates. The Municipality were also not informed that the payments had been made provisionally. This resulted in an avoidable expenditure of Rs. 67,638.

228. In reply to a question whether it was not a common practice that when a new agreement was not finalised by a particular date and the old agreement was about to expire, it was always stated that the payments were provisional, the representative of the Railway Board stated that it was the usual practice to state so. The Railway Board representative could not give any explanation for not following the practice in this case and promised to look into this. The Comptroller and Auditor General pointed out by quoting dates that it took about 2 years for the Railway to communicate to the Municipality the approval of the General Manager to the revised rates. The Committee desired to know the reasons for this delay.

Northern Railway—Delay in fixing siding charges—Para 11 *of Audit Report*, 1958.

229. The construction of a siding connecting Jamsar with the gypsum quarries worked by Messrs The Bikaner Gypsum Ltd., was completed in March, 1950 on land provided by the Company to facilitate the supply of gypsum to the Sindri Fertilisers and Chemicals Ltd., at the instance of the Ministry of Industry and Supply in agreement with the ex-Bikaner Railway and the Company. The siding was opened to traffic in 1950 but till now no agreement has been reached regarding the charges to be recovered by the Northern Railway (which now includes *ex*-Bikaner Railway) and from whom recoveries are to be made.

230. In reply to a question why no agreement has been reached during all this period, the representative of the Ministry of Commerce and Industry stated that the matter was under correspondence with the Railway Board. On the 6th September, 1955 the Commerce Ministry had written to the Railway Board detailing the various stages of the case and suggesting that the matter might be discussed and a conclusion arrived at; but the Railway Board had not done anything so far. The representative of the Railway Board while regretting the delay stated that they would arrive at a settlement early. He further stated that the Railway Board offered to the Gypsum Company that if the Company loaded the goods at the siding of the Railways, no siding charges would be levied, but the Company wanted to load at their own pit heads. He further stated that the liability of the charge was entirely that of the Sindri Fertilisers; the charges have been determined at Rs. 2 per wagon on the basis of shunting charges. In reply to a further question it was stated by the representative of the Railway Board that Government was not losing any money in this case as it had already been accepted that the payments will have to be made from the very beginning. The representative of the Ministry of Commerce and Industry, however, stated that it had still to be decided whether the Sindri Fertilisers would pay, and if so, what portion thereof. In this connection another relevant point to be taken into consideration was that about 2000 tons will be loaded daily at the siding and it should be a commercial proposition for the Railways. The question for consideration, therefore, was whether the siding should be treated as a siding put up at the request of the Ministry of Commerce & Industry or as a Railway siding, or as an assisted siding. He added that the decision taken on this matter eventually would apply with retrospective effect.

231. The Chairman suggested that the Ministry of Commerce and Industry and the Railway Board might settle the matter quickly and intimate the Committee before they presented their Report to Parliament.

Central Railway—Purchase of buffer outer cases—Para 15 of Audit Report, 1958

232. The stock of buffer outer cases to drawing No. NA 18 required for certain non-standard wagons was exhausted in September, 1953. Buffer cases of another design were used instead until August, 1955 and thereafter NA 18 buffer cases reclaimed from condemned wagons were used. No action to procure these buffer cases was taken till July, 1956. Tenders were invited in September, 1956. The third lowest offer was accepted whose rates were higher than the first two lowest offers, which involved an extra expenditure of Rs. 1,23,467.

233. In explaining the circumstances leading to the shortage of buffers the representative of the Railway Board stated that in 1953 they anticipated that quite a number of old GIP Railway wagons which were over 40 years of age would be condemned and the released buffers could be utilised to replace the damaged buffers. The buffers removed from condemned wagons were expected to meet 50 per cent of the annual requirements and stocks of buffers of another drawing had been received against outstanding orders. So it was not felt necessary that any provision should be made for purchasing buffers at that time. But in 1955 as a result of a directive issued by the Railway Board to cater for 20 per cent increase in goods traffic, the whole position changed. To implement this directive it was imperative for as many wagons as possible to be retained in service. Thus a number of ex-GIP wagons which would otherwise have been condemned were repaired and put into service. This caused a shortage of buffers. He further stated that all the wagons that were there were of the IRS type for which buffers No. W 392 were used. The older type of wagons required buffer No. W 360. These buffers were not in stock and so the position became such that the buffers salvaged from the old condemned wagons could not be used.

234. When asked to state why in 1955 when the position was known that there will be a shortfall of buffers, no step was taken to stock them, it was mentioned by the representative of the Railway Board that at that time there was no intensive utilisation of overaged wagons. *The Committee were not, however, convinced by these arguments as it appeared that even when an emergency was anticipated, no steps were taken, thus revealing lack of planning with foresight.*

Western Railway—Extra expenditure on the supply of blankets to Class IV staff—Para 18 of Audit Report, 1958.

235. In accordance with the recommendation of the Dress Regulations Committee representing all the departments and as a measure of economy *'kamblies'* were bought instead of blankets for supply to certain categories of Class IV staff. Of 7,400 *'kamblies'* accepted, 5,600 were issued to the staff but on receiving complaints about their roughness and thinness, it was decided to allow them to be replaced after one or two years instead of two or three years as originally proposed. As, however, it was found that the *'kamblies'* supplied were of an inferior quality to those supplied on the ex-GIP Railway, the Controller of Stores was instructed to purchase in future according to ex-GIP specification. But, in February, 1952 the supply of blankets was resumed 1800 *'kamblies'* in stock purchased at a cost of Rs. 11,250 were auctioned resulting in a loss of Rs. 9,945.

236. The Railway Administration stated that the change of policy in October, 1950 as regards the issue of blankets was resisted by the staff and its continuance would have led to serious repercussions. On the Central Railway where conditions are more or less similar to those obtaining in the Western Railway, the use of *'kamblies'* was a long standing practice and no complaints had been received. A sum of about Rs. 3·5 lakhs would have been saved, had *'kamblies'* instead of blankets been issued to the staff during the five years 1952—57.

237. In evidence it was stated by the representative of the Railway Board that the orders were that the various Railways might continue the *status quo* in this matter until they found the conditions when they could effect a change. The Dress Regulations Committee thought that a change-over from blankets to *'kamblies'* would result in saving, but unfortunately it did not succeed. In reply to a question as to why uniformity could not be aimed at in these matters when the Railway was one integrated whole, the Railway Board representative stated that this was under consideration. Instructions had since been issued for giving up the system.

The Committee then adjourned to sit again at 10.00 *hours on Wednesday, the* 23*rd July,* 1958.

PROCEEDINGS OF THE TWELFTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNESDAY, THE 23RD July, 1958.

238. The Committee sat from 10.00 hours to 13.15 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

MEMBERS

2. Shri A. C. Guha
3. Shri N. R. M. Swamy
4. Shri Rameshwar Sahu
5. Pandit Jwala Prasad Jyotishi
6. Shri T. Sanganna
7. Shri Prabhat Kar
8. Shri N. G. Ranga
9. Shri H. C. Dasappa
10. Shri Khushwaqt Rai
11. Shri N. Siva Raj
12. Shri Amolakh Chand
13. Shri Jaipal Singh
14. Shri T. R. Deogirikar
15. Shri S. Venkataraman
16. Shri Rohit Manushankar Dave
17. Shri M. Basavapunnaiah.

Shri P. C. Padhi, *Additional Deputy Comptroller & Auditor General (Railways).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

Ministry of Railways (Railway Board)

Shri P. C. Mukerjee, *Chairman.*
Shri J. Dayal, *Financial Commissioner, Railways.*
Shri Karnail Singh, *Member, Engineering.*
Shri M. N. Chakravarti, *Member, Staff.*
Shri K. B. Mathur, *Member, Transportation.*
Shri N. K. Roy, *Addl. Member, Works.*
Shri N. C. Deb, *Addl. Member, Finance.*
Shri S. R. Kalyanaraman, *Addl. Member, Commercial.*
Shri Y. P. Kulkarni, *Addl. Member, Staff.*
Shri E. W. Isaacs, *Addl. Member, Mechanical.*

Ministry of Labour & Employment

Shri P. M. Menon, *Secretary.*

Ministry of Finance (Department of Economic Affairs)

Shri R. Saran, *Deputy Secretary.*

Savings over Voted Grants—Para 4(ii) of Audit Report, 1957

239. At their sitting held on the 18th July, 1958 the Committee had enquired of the representatives of the Railway Board the reasons for obtaining Supplementary Grants in respect of Grants Nos. 3, 12-A and 16 pertaining to the year 1955-56 when the Railways were not able to spend even the original appropriations fully. The Financial Commissioner Railways had stated that the non-utilisation of the Supplementary Grants was largely due to non-receipt of promised stores and their debits from abroad. The Committee desired to be furnished with further details as to the figures of unspent balances at the end of February 1956, the dates on which the Railway Board decided to obtain Supplementary Grants and why it was not possible to take into account the non-availability of stores etc. at the time of presentation of Supplementary Grants.

240. The Financial Commissioner explained the peculiar characteristics of the Railway Budget which had made the process of estimation complicated. Under Grant No. 16 where the saving appeared to be the largest, there were two Suspense Heads—the Stores

Suspense and Manufacture Suspense. All the stores required for the Railways were initially debited to the "Stores Suspense". Thereafter, as they were supplied to different works their value was credited to the head "Stores Suspense" and debited to the relevant heads. Thus, a provision had to be made under two heads for the same stores whereby the entire budget appeared inflated. So far as the net grant (No. 16) was concerned, therefore, the lapse was of the order of Rs. 4.2 crores instead of Rs. 13 crores as shown in the Audit Report.

241. The Committee were informed that steps were being taken by the Railway Board to remedy this unsatisfactory procedure. Certain types of purchase *viz.*, plants and machinery, certain building material etc., were not being purchased through the Suspense Account and it was proposed to exclude few other items of stores from the purview of this Suspense Head in consultation with the Comptroller and Auditor General.

242. In regard to the time-table for the presentation of Supplementary Grants the Financial Commissioner stated that the revised estimates were received from the various Railways and the D.G. I.S.D., London sometime in November and December. Subsequently modifications were received as and when necessary on the basis of which the estimates were brought up-to-date and Supplementary Demands were prepared. As the Supplementary Demands were required to be presented to Parliament in the first week of March it was possible only to incorporate the changes which came to the notice of the Railway Board by the middle of February. In respect of the accounts under examination it was stated that a report which was received from the D.G.I.S.D. London on 9th March, 1956 could not be taken into account as the Grant had been approved by Parliament on 5th March, 1956.

243. *The Chairman observed that at present the D.G.I.S.D. London was not furnishing information with regard to the availability of stores, the shipment position etc. at fixed intervals. He suggested that the organisation should furnish a report towards the end of January, fortnightly reports in February and thereafter weekly reports in the month of March. This arrangement would keep the Ministries etc. informed of the latest position and enable them to estimate their requirements more precisely. The Chairman desired that the question might be taken up with the Ministry of Works, Housing and Supply at a later date. The Financial Commissioner (Railways) welcomed the Chairman's suggestion.*

Ganga Bridge Project—Interest Charges in connection with acquisition of land—Para 9, Audit Report, 1958

244. Upto December, 1957, the Ganga Bridge Project Administration acquired 5,989 acres of land valued at Rs. 1 crore. Out of this, about 5,540 acres were acquired under the emergency section of the Land Acquisition Act which provided for taking possession of land before the settlement and payment of compensation. The Act also laid down that interest at 6 per cent would be charged on such a land from the time of taking over possession till the compensation was finally paid. Due to delays in the settlement of compensation the Project had to pay a sum of Rs. 4,01,603 by way of interest. In reply to a question as to why the administration did not requisition the land earlier under the normal rules instead of resorting to the emergency provisions of the Land Acquisition Act, the Committee were informed that the Project Administration soon after their coming into being lost no time and applied for the acquisition of about 4,400 acres of land in April/May, 1954. It was also stated that even though the land was requisitioned under the emergency provision the possession was given to them only by July, 1955. Under the normal procedure, therefore, it would have taken much more time.

245. With regard to the delay in settlement of compensation the representative of the Railway Board explained that it was due to no fault on their part. The determination of compensation was a quasi-judicial process and was within the jurisdiction of the State Government. Payments for compensation were also made by the State Government officials. The officials of the State Government were also not to be blamed entirely as such delays were stated to be inherent in the Land Acquisition procedure.

246. The Committee desired to be furnished with detailed time chart of a few cases indicating the dates of applications for acquisition of land, notifications issued by the State Governments, the dates when actual possession was taken by the Project Administration and the date on which compensation was paid.

247. *The Committee also expressed their concern over the inordinate delays which had taken place in the settlement of compensation. Such delays, they felt, were neither advantageous to Government who had to pay interest, nor were they in the interest of the cultivator as he did not get the money in time.*

Amendment to the Payment of Wages Act to ensure the recovery of debits from the Station Traffic Staff—Outstanding Recommendation—Para 81 of the 17th Report

248. Certain amendments to the Payment of Wages Act were considered necessary to ensure recoveries of outstanding traffic debits amounting to several lakhs of rupees from the salaries of the Railway staff. In para 81 of their 17th Report the Committee commented on the delay in settling the issue and suggested that the matter be examined at an inter-Ministerial meeting.

249. The representative of the Ministry of Labour and Employment stated that it had since been decided to amend the Act and that a Bill to amend the Act would be placed before Parliament in the near future. He stated, however, that there were other amendments to the Act, some of which were still under examination, and it was proposed to bring forward a consolidated Bill incorporating all the amendments. *In view of the urgency of the matter, the representative of the Ministry promised to bring forward a separate Bill to amend the particular clause under consideration instead of delaying the matter any further.*

Southern Railway—Payment of Sales Tax on Coal intended for consumption in another State—para 19 of the Audit Report, 1958

250. One of the distribution centres for coal on the Southern Railway was situated within the former Hyderabad State. During the period 6th September, 1955 to 31st October, 1956 about 3,11,554 tons of coal were received at this Centre from the collieries within the State of which 2,79,307 tons were re-booked for consumption outside the State. Sales tax was, however, paid to the collieries on the entire supplies and was paid by the collieries to the State Government. According to the Attorney General's opinion dated the 19th November, 1955 which was communicated to all the Railway Administrations in February, 1956 no sales tax is payable in respect of a transaction or sale when the goods delivered in one State are later on despatched to another State for consumption provided the intention to so despatch is known from the beginning. The Audit pointed out on the 23rd October, 1956 that the payment of Sales Tax on coal which was re-booked for consumption outside the State was therefore not correct. A sum of Rs. 1,02,428 was accordingly withheld from the bills of the collieries. The Ministry of Law are of the opinion that as the intention to re-book the Coal to sheds outside the State had not been made known to the collieries they could safely presume that the entire stocks were required for consumption within the State and that the provisions of Hyderabad

Sales Tax Act were applicable to this case. It was also stated that the collieries could recover the Sales Tax provided there was nothing to the contrary in the terms of contract and that the collieries were registered dealers under the Hyderabad Sales Tax Act.

251. The representatives of the Railway Board stated that under the provisions of the Hyderabad Sales Tax Act the entire amount had to be paid to the State Government and thereafter refunds could be claimed in respect of goods re-booked to the places outside the State. It was further stated that although the Sales Tax had orginally been paid the amount had since been withheld from the Contractor's bills.

Delay in preparation of Completion Reports—Para 20, *Audit Report,* 1958

252. Normally, a period of three months is allowed for the closing of accounts after a work is completed. In the case of works costing over 20 lakhs a period of 3 years is allowed for the preparation of the Completion Reports. In spite of definite instructions issued by the Railway Board in 1952 delays continued in this respect. A review had disclosed that 8,279 completion reports were overdue by a year on the 30th September, 1956.

253. The Financial Commissioner, Railways stated that efforts were being made to complete those reports as quickly as possible. *He also promised to furnish a detailed statement showing the latest position in this regard indicating* inter alia *the arrears which had since been cleared as well as the cases which had fallen into arrears subsequently.*

Non-availability of Vouchers for Audit—Para 21, *Audit Report,* 1958

254. It was reported to the Committee that the vouchers and returns requisitioned by the Chief Auditors to carry out statutory audit of the accounts of the Railways were not supplied to them promptly. In most of the cases the Audit were informed by the Railway Administration that the vouchers and returns were either untraceable, had not been received from stations or were still with the Cash and Pay Department. The Audit para disclosed that vouchers and returns required by Audit were outstanding in a number of cases. The Committee viewed the position as highly unsatisfactory.

255. *The Financial Commissioner, Railways, explained that as a result of a special drive the arrears had been minimised considerably. Quoting certain facts and figures he stated that the number*

of outstanding vouchers etc. was much less now than the number given in the Audit para.

Points outstanding from previous Reports—Para 22 *of Audit Report,* 1958.

256. In para 16 of Audit Report, 1955 it was brought to the notice of the Public Accounts Committee that the Sagara-Talguppa Section of the Southern Railway which was constructed primarily to serve the Hydro-electric Works of Mysore State, was running under an annual loss of over one lakh of rupees. The Railway Board were, therefore, considering the question of dismantling the line. The representatives of the Railway Board informed the Committee that although the State Government had refused to share the losses as had been agreed by them earlier, they were not agreeable to the closure of the line as it was stated to be serving a social objective and it was hoped that the traffic on the line would develop further. The matter was, therefore, still under examination of the Railway Board.

The Committee then adjourned till 10.00 *hours on Friday, the* 25*th July,* 1958.

PROCEEDINGS OF THE FOURTEENTH SITTING OF THE ACCOUNTS COMMITTEE HELD ON FRIDAY, THE 25TH JULY, 1958.

257. The Committee sat from 10.00 to 13.25 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Shri N. R. M. Swamy
5. Pandit Jwala Prasad Jyotishi
6. Shri Rameshwar Sahu
7. Shri T. Sanganna
8. Shri Prabhat Kar
9. Shri N. G. Ranga
10. Shri H. C. Dasappa
11. Shri Khushwaqt Rai
12. Shri N. Siva Raj
13. Shri Jaipal Singh
14. Shri Amolakh Chand
15. Rajkumari Amrit Kaur
16. Shri T. R. Deogirikar
17. Shri S. Venkataraman
18. Shri Rohit Manushankar Dave
19. Shri M. Basavapunnaiah.

Shri P. C. Padhi, *Additional Deputy Comptroller & Auditor-General (Railways).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

WITNESSES

Ministry of Railways (Railway Board)

Shri P. C. Mukerjee, *Chairman.*

Shri J. Dayal, *Financial Commissioner, Railways.*

Shri Karnail Singh, *Member, Engineering.*

Shri M. N. Chakravarti, *Member, Staff.*

Shri K. B. Mathur, *Member, Transportation.*

Shri N. K. Roy, *Additional Member, Works.*

Shri N. C. Deb, *Additional Member, Finance.*

Shri S. R. Kalyanaraman, *Additional Member, Commercial.*

Shri E. W. Isaacs, *Additional Member, Mechanical.*

Ministry of Finance (E. A. Department)

Shri R. Saran, *Deputy Secretary.*

[Shri R. G. Kamat, *Chairman, Public Accounts Committee, Mysore Legislative Assembly* accompanied by Shri K. S. Thimappa Gowda, *Secretary of Mysore State Legislative Assembly* was also present to watch the proceedings.]

258. At the outset, the Railway Board's request for the withdrawal of the Memorandum which was submitted to the Committee seeking their approval to the raising of the limit of expenditure on traffic surveys on Railways from Rs. 10,000 to Rs. 1,00,000 for being brought within the purview of "new service" or "new instrument of service" was taken up for consideration and this was permitted by the Committee.

Excesses

259. *Excess over grants.*—In the year 1955-56, there were three cases of excesses over voted grants and charged Appropriations as mentioned below:

No. and name of the Grant	Final Grant	Actual expenditure	Excess	Percentage of Excess
	Rs.	Rs.	Rs.	
3—Revenue—Miscellaneou Expenditure (Charged)	2,01,000	2,01,077	77	4·04
13—Revenue—Appropriation to Development Fund . .	2,43,42,000	7,07,91,479	4,64,49,479	190.82
15—Construction of new lines . . .	6,22,00,000	6,23,34,842	1,34,842	0·2

260. In the year 1956-57, there were 5 cases of excesses over voted grants as mentioned below:

No. and name of the Grant	Final Grant.	Actual expenditure	Excess	Percentage of Excess
	Rs.	Rs.	Rs.	
1—Revenue—Railway Board . . .	61,85,000	63,27,546	1,42,546	2·3
3—Revenue—Payments to Worked lines—others	39,11,000	40,01,879	90,879	2·3
5—Revenue Working Expenses—Repairs and Maintenance .	86,16,37,000	88,04,23,101	1,87,86,101	2·18
8—Revenue Working Expenses—Operation other than Staff and Fuel .	15,99,29,000	16,31,82,447	32,53,447	2·03
9—Revenue Working Expenses- Miscellaneous Expenses .	28,42,97,000	29,89,83 582	1,46,86,582	5·17

There was an excess of Rs. 57,905 and Rs. 2,26,641 under charged expenditure under Grant No. 8 Revenue Working Expenses—Operation other than staff and fuel and Grant No. 9 Revenue Working Expenses—Miscellaneous Expenses, respectively.

The reasons for all the above excesses under each Grant were furnished to the Committee by the Railway Board.

261. Grants Nos. 3 & 13 for 1955-56 were straightway recommended by the Committee to be regularised. As regards Grant No. 15, the Committee criticised the misclassification and enormous adjustment of cost of certain materials. *The Committee felt if the error was to be set right at this stage, the excess would go to Rs. 8½ lakhs.* The Committee desired to know as to when the credit entry was noticed and whether it could not be rectified before the accounts were closed. The representative of the Ministry said that it was too late.

262. *The Committee directed the Ministry to give correct figures to be regularised in consultation with the Auditor-General keeping in view the above fact as to when it was discovered and whether it could not have been set right before the accounts were finalised.*

Excesses, 1956-57

263. *Grant No. 1—Revenue—Railway Board.*—The Committee desired to know what check the Railway Board exercised to control the periodical expenditure on printing work and to avoid any excess. While the representative of the Ministry admitted of the existence of a machinery in the Railway Board to watch printing charges, he submitted that the correct charges could be obtained only from the Controller of Printing and Stationery. He further added that the amount given by the Controller of Printing and Stationery was Rs. 73,000 less than that for which debits were raised later on.

264. Then the Committee, referring to the Supplementary Grant of the Ministry of Railways, desired to know how they had asked for it under 'Pay of Officers' whereas they required money for 'pay of establishment'. The representative of the Ministry of Railways submitted that the Section Officers of the Board were treated as Class III officers, while they were intended to be treated as Gazetted Officers and that this resulted in the misclassification.

265. It was also explained to the Committee that cost accounts were maintained in Railway Printing Presses and that all items of work were charged. When asked about the date of appointment of additional Members of the Railway Board as recommended by the Estimates Committee in 1955-56, the date was given as 26th June, 1956.

266. *Regarding the delay in adjustment of debits regarding printing work, the Committee suggested that the Ministry should take steps to remind the Department concerned and get a statement in February of each year and not leave it to the Controller of Printing and Stationery and Accounts Office. The Ministry's representative assured the Committee that any recurrence of a similar case will be avoided.*

Grant No. 3—Payments to worked lines and others: The Committee gave their approval for recommending the regularisation of this item of Excess.

Grant No. 5—Revenue Working Expenses—Repairs and Maintenance

267. When the Committee pointed out certain omission of underestimation in the Board's estimates, the representative of the Ministry regretted the mistakes. Asked about the action taken against officials responsible for the act of omission, the representative of the Ministry stated that the matter was under consideration. *The Committee emphasised that such acts of omission should also be taken serious note of by the Railway Board.*

The Committee impressed upon the Railway Board the need for avoiding both over-estimation and under-estimation in the budget provisions.

268. When asked to explain about the reasons for surrendering Rs. 25 lakhs under this Head, the representative of the Railway Board stated that it was a mistake on the part of the staff who were inexperienced; it was also partly due to the introduction of the divisional system in the Central and Western Railways.

The Committee desired the representative of the Ministry to obtain and furnish details which lead to the omission of items worth Rs. 81¾ lakhs under Grant No. 5.

269. *The Committee stressed the need for realistic estimating in regard to repairs and maintenance, as it was found that for the past several years there have always been very large excesses under 'Repairs and Maintenance'.* The Committee found that even routine items of expenditure such as oil etc., were not provided for in the Western Railways and this was regrettable. *The Committee were very critical about the failure of the Eastern, Northern, North-Eastern and Western Railways to keep proper control over expenditure especially when they have their own accounting authority.* The Committee called for a note from the Railway Board about the action they proposed to take in such cases as referred to under this Grant. *The Committee impressed upon the Board that the Railways were being run as a commercial department and, therefore, greater efficiency should be ensured.* The Committee pointed out that the Railways were not up to the mark in the matter of control over expenditure though in regard to the estimates of projects, they were better than other Ministries.

Grant No. 8—Revenue Working Expenses—Operation other than Staff and Fuel

270. The Committee remarked that their observations relating to Grant No. 5 were applicable to this Demand also.

Grant No. 9 (Voted)—Revenue Working Expenses—Miscellaneous Expenditure

271. The Committee desired to know the reasons for the omission to provide for Rs. 14¼ lakhs in the Budget for Departmental catering which is referred to on page 11 of the Review on the Appropriation Accounts for 1956-57 especially when Departmental catering was an approved policy. The representative of the Board could only say that the policy was formulated during the course of the year and, therefore, they had recourse to Supplementary Grant.

271. Explaining reasons for the losses in Departmental catering, the representative observed that it was because of the payment of salary etc. according to the prescribed scales for employees in other Departments which was not so when catering was in the hands of private contractors. The Board was asked to give a complete statement of details of loss, etc. Railway-wise in departmental catering for the last four years.

272. The Committee next turned to the losses narrated in Chapter II (vi) (Para 23) of the Audit Report 1958 and were greatly concerned at the losses due to accidents. The Board's representative explained that the reason for the increase in the number of accidents was mainly due to the human element which was not always infallible. He stressed that the latest mechanical devices were being employed to ensure greater safety in the movement of traffic and to decrease the number of accidents. *The Committee thought that better and stricter steps were necessary to avoid the increasing number of accidents.* Asked about the implementation of the recommendation of the Committee appointed to enquire into accidents, the representative of the Board submitted that they were being implemented in so far as they could be implemented in practice.

Grant No. 9 (Charged)—Revenue Working Expenses—Miscellaneous Expenses: The Committee desired that the Railway Board should watch the progress of expenditure properly as the Committee were not satisfied with the existing state of affairs.

OUTSTANDING RECOMMENDATIONS

Ex-post-facto sanctions

Para 5 (Introduction) of the Seventeenth Report

273. In para 5 (Introduction) of the Seventeenth Report, the Committee laid stress on devising a procedure in respect of according *ex-post-facto* sanctions by Finance. The Committee were then assured that the matter was engaging the attention of Government. The Committee referred to the note furnished by Finance in this connection and suggested that the Railway Board should also see that note and communicate their views to the Committee.

Overpayment to a manufacturing company—Para 9 of the Seventeenth Report.

274. The Committee in para 9 of the Seventeenth Report had expressed their concern over the delay involved in settling the case with the firm. From the facts furnished by the Railway Board, it was clear to the Committee that the Ministry of Railways had not

appreciated the full implication of the term "commercial price". Had the persons who negotiated this contract borne in mind that the term "commercial price" included an element on account of "place extra" (in the present case, no "place extra" arose as the supplies were made at the factory itself), the overpayment could have been avoided.

275. The Chairman then observed that due to delay in adjustments between the steel manufacturers and the Freight Equalisation Fund at the close of each year, a substantial amount was lying at the disposal of the manufacturing concerns. The representative of the Ministry of Railways pointed out that these accounts were maintained by the Ministry of Commerce and Industry. The Chairman suggested that the Railways should also look into this.

Supply of defective cylinders—Para 28 of the Seventeenth Report

276. In para 28 of the Seventeenth Report after taking into consideration all aspects submitted to them, the Committee had suggested that the matter should be examined by the Railway Board in consultation with their Legal Adviser in London and further action taken. The Committee also desired to be informed of the progress.

277. From the notes submitted by the Ministry, the Committee noted that according to the latest legal opinion in 1957, the better course was to proceed against the manufacturers in the first instance. If in their pleadings, they were to put up the name of the consulting engineers, the question of pursuing the claim against the latter could be reconsidered. It was also added therein that the law of limitation might stand in the way of successfully pursuing the claims.

278. *The Committee felt that the case was not pursued with vigour by the Railway Board, though the total loss was reported to be Rs. 9·87 lakhs in* 1956 vide *Appendix VI to the 17th Report, it has now been revised to Rs. 3·8 lakhs only. Of this, only* 50 *per cent has been taken into account for purposes of settling the claim against the manufacturing firm. The claim was ultimately settled at* £ 10,000 i.e. *about Rs. 1·3 lakhs. The Committee could not have any satisfactory explanation for the scaling down by* 50 *per cent.* The Chairman observed that the Railway Board in this case had thought of proceeding against the consulting engineers for having accepted the defective designs. They had a discussion with the Managing Director of the firm of manufacturers when he was at Delhi and decided to drop the case. The case was later on pursued with the manufacturers again. No record of the discussion had been kept. One of the pleas put forth by the manufacturers was that the case

had been settled by their Managing Director. *The Chairman deplored that such discussions regarding a case which had legal implications were not pursued by exchange of letters regarding their precise scope and extent. The Committee thought that this case would have taken a different turn had the elementary precaution of reducing to writing whatever talks transpired between the Managing Director of the firm and the Chairman of the Railway Board had been taken. The Committee stressed that in all such cases, a summary of the talks held should be maintained and exchanged between the Railway Board and the firm which would go a long way to avoid any ambiguity of expressions used.*

Wasteful Expenditure due to excessive sanction of cleaners in the Loco Running sheds of a Division—Para 52 of the Seventeenth Report.

279. In para 52 of the Seventeenth Report, the Committee had desired the Ministry of Railways to inform them about the disciplinary action taken against the officials who were responsible for working out, proposing and accepting the erroneous assessment.

The Ministry furnished to the Committee the following details:—

Officer	*Punishment*
Divisional Accounts Officer	Censure.
Assistant Personnel Officer	Withholding of 5% of special contribution to Provident Fund.
Divisional Mechanical Engineer	Displeasure of Board communicated.
Non-gazetted staff	
Sub-head concerned	Penalty of withholding next increment for a period of 2 years without affecting the future increments.
Accountant	Withholding of 15% of special contribution to Provident Fund.

280. *The Committee noted with regret that the penalty for the lower staff was heavier than those awarded to the higher officials whose responsibilities were greater.* After hearing the methods adopted for awarding punishments etc. the Committee were not convinced about the procedure adopted.

The Ministry's representative agreed to review the cases once again.

281. *The Committee also suggested that the qualification record as well as the individual officers' personal file should be examined when questions relating to their departmental promotions were considered so that all aspects relating to the individual officer were taken into account and impartiality maintained.*

***North-Eastern** (Ex-Assam) Railway—Non-payment of Railway dues by a commercial concern—Para 71 of the Seventeenth Report*

282. In para 71 of the Seventeenth Report, the Committee had desired to be informed about the steps taken by the Railway Board to recover the sum of Rs. 1.07 lakhs due from the firm of contractors of the Shillong out-agency on the old Assam Railway. The Committee considered the note submitted by the Railway Board. When asked whether the immediate payment of Rs. 30,000 had been made, the representative of the Railway Board stated that the matter was pending before the Board of Directors of the Company for the last six months and that the out-agency would not be given to the Company unless they paid Rs. 30,000 first besides a security of Rs. 20,000. Explaining how the claim of Government was time-barred as regards Rs. 32,000 which was stated to have been waived, the representative of the Board explained that they could not get hold of the record of the firm which was wound up and therefore it had to be waived.

Compensation paid to the Howrah-Sheakhala Light Railway—Para 9 of the Fourth Report

283. The Committee had in para 9 of the 4th Report (Second Lok Sabha) taken a very serious note of provisional payments as already objected to by Audit in 1946 and 1948.

The Board's note submitted to the Committee was considered by them. It explained the circumstances under which the provisional payments were made. The Ministry's representative also explained the details of the case which lead to continuous payments and the causes for the delay in arriving at a decision.

284. The Committee were not convinced of the arguments advanced by the representative of the Board either regarding the delay in the Ministry in taking a decision or the circumstances leading to provisional payment and had, therefore, to record their displeasure about the delay in the Railway Board and the Eastern Railway. The Committee deprecated the system of provisional payments in spite of audit objections and recorded that the case must be settled quickly.

Manufacture of locomotives and boilers by TELCO—Para 65 of the Fourth Report

285. On the basis of the recommendation of the Committee in para 65 of the Fourth Report, the Committee desired to know what would be the price of metre gauge, YP locomotive. The Ministry's representative replied that it will be Rs. 3·61 lakhs for YP locomotive and for YG it will be Rs. 3·72 lakhs. (76 per cent of the cost of manufacture of a WG loco). The Committee desired to know the reaction of the Board to their recommendation regarding price fixation of TELCO Locomotives.

286. The representative of the Railway Board submitted that it would be better if details are not discussed at that stage as the Board had decided to refer the matter to arbitration. When asked about the provision of law under which the Board had decided for arbitration, clause 27 of the agreement was cited. In reply to another question as to whether it was obligatory under the agreement to go in for an arbitration, the representative of the Board stated that when both parties agreed, they can always have an arbitration. After going through clause 27, the Committee wanted to know the relevance of this clause *vis-a-vis* arbitration. The representative of the Board pointed out it was not under that clause; but they have decided mutually to have a High Court Judge as sole arbitrator. When the Committee asked whether the points to be brought before arbitration had been finalised it was stated by the representative of the Board that the main and sole point was about price. *The Committee stressed that the terms of reference should be precisely framed as vague references might lead to all kinds of complications.*

287. As regards other outstanding recommendations, the Committee observed that if necessary the Board would be addressed by the Lok Sabha Secretariat.

The Committee then adjourned.

PROCEEDINGS OF THE TWENTY-THIRD SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY, THE 4TH SEPTEMBER, 1958.

288. The Committee sat from 15.30 to 15.45 hours.

PRESENT

Shri N. G. Ranga—*Chairman.*

MEMBERS

2. Dr. Ram Subhag Singh
3. Shri Arun Chandra Guha
4. Pandit Jwala Prasad Jyotishi
5. Shri Rameshwar Sahu
6. Shri T. Sanganna
7. Shri Upendranath Barman
8. Shri Prabhat Kar
9. Shri N. Siva Raj
10. Shri Khushwaqt Rai
11. Shri Jaipal Singh
12. Shri Amolakh Chand
13. Shri T. R. Deogirikar
14. Shri Rohit Manushankar Dave
15. Shri M. Basavapunnaiah.

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General (Railways).*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

289. In the absence of the Chairman, Shri T. N. Singh, the Members of the Committee chose Shri N. G. Ranga, to act as Chairman for the sitting in terms of sub-rule (3) of Rule 258 of the **Rules of Procedure** and Conduct of Business in Lok Sabha.

290. The Committee considered their draft Ninth Report on "Excesses over Voted Grants and Charged Appropriations included in the Appropriation Accounts (Railways), 1955-56 and 1956-57 and Appropriation Accounts (Posts and Telegraphs), 1955-56" and approved the same with certain verbal modifications here and there.

291. The Committee authorised Shri T. N. Singh, or in his absence Shri N. G. Ranga, to present this Report on their behalf to the Lok Sabha on the 9th September, 1958.

The Committee also authorised Shri Amolakh Chand to present this Report to the Rajya Sabha.

The Committee then adjourned.

PROCEEDINGS OF THE THIRTY-SECOND SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON TUESDAY, THE 2ND DECEMBER, 1958.

292. The Committee sat from 15.00 to 15.45 hours.

PRESENT

Shri N. G. Ranga—*Chairman.*

MEMBERS

2. Shri Arun Chandra Guha
3. Shri N. R. M. Swamy
4. Pandit Jwala Prasad Jyotishi
5. Shri Upendranath Barman
6. Shri Prabhat Kar
7. Shri H. C. Dasappa
8. Shri Amolakh Chand
9. Shri T. R. Deogirikar
10. Shri M. Govinda Reddy
11. Shri Rohit Manushankar Dave
12. Shri M. Basavapunnaiah.

Shri A. K. Chanda, *Comptroller and Auditor-General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General (Railways).*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

293. The Chairman explained in brief the item on the agenda *viz.*, the Demands for Excess Grants pertaining to the Railways for the year 1955-56, which had been presented to Parliament in pursuance of the recommendations of the Committee contained in their 9th Report. Under Grant No. 15—Construction of New Lines, the Ministry had asked for the Vote of Parliament for a sum of Rs. 1,34,842 as

against Rs. 8,67,331 recommended by the Committee for regularisation. While recommending the regularisation of the excess amount of Rs. 8,67,331 the Committee had observed that credits had been taken erroneously under Grant No. 15 instead of another Grant (No. 17). This erroneous credit of Rs. 7.32 lakhs had the effect of reducing the excess under Grant No. 15 to the figure of Rs. 1,34,842 as disclosed in the Appropriation Accounts.

The Committee, therefore, observed as follows:—

> "* * * But for the erroneous credit of Rs. 7.32 lakhs mentioned above, the real excess in Grant No. 15 would be Rs. 8.67 lakhs and it is this real amount of excess that needs to be regularised. * * *".

294. When the discrepancy was pointed out to the Ministry of Railways, the Chairman informed the Committee, the Financial Commissioner Railways sought an interview with him for discussing the matter. In the course of discussion on the 29th November, 1958 the F.C. mentioned that there was some misunderstanding in the minds of the officials of the Railway Board in interpreting the recommendation of the Committee. According to them although the amount of Rs. 7·32 lakhs was shown in the Report of the Public Accounts Committee, the real intention of the Committee was that the amount of Excess of Rs. 1,34,842 only required Parliament's approval. He added that if the erroneous credit of Rs. 7.32 lakhs was to be taken into account for the purpose of regularisation by Parliament, an excess debit of Rs. 7.75 lakhs representing the erroneous adjustment of the cost of the certain materials before actual movement from the Stocking Depot, which almost counterbalanced the erroneous credit should also be taken into account. In that case the real excess would be about Rs. 90,000 only. He concluded by saying that the question before the Committee was whether the erroneous debit should be taken into account for the purpose of arriving at the real excess in the case under examination and if so, what further course should be adopted to settle the issue.

295. The C. & A. G. stated the background of the principle enunciated by the P.A.C. in their 23rd Report that any established mis-classification in the Appropriation Accounts which either attracts or avoids the necessity for regularisation of any excess by Parliament, would be taken into account in making their recommendations to the Parliament. This had already been accepted by the Government at the time of presenting the Demands for Excess Grants (excluding Railways) for the year 1953-54 to Parliament in May, 1957. The recommendation of the Committee in the case under consideration was based on this principle.

296. As regards the debit entry of Rs. 7·75 lakhs representing the premature adjustment of the cost of certain materials before actual movement from the Stocking Depot, the Committee observed, it was not "an error of classification" within the meaning of the principle laid down by the Committee referred to above. This fact had already been made clear by the former Chairman of the P.A.C. at the sitting of the Committee held on the 25th July, 1958 when this matter was discussed with the officials of the Railway Board.

297. The Committee, therefore, came to the conclusion that there was no reason for making any change in their recommendations as set forth in para 3 of their 9th Report and the Ministry of Railways might be advised to take necessary action for regularisation of the amount of Rs. 8,67,331 as already recommended by them instead of Rs. 1,34,842 as shown in the Book of Demands for Grants.

The Committee then adjourned.

PROCEEDINGS OF THE FORTY-EIGHTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON SATURDAY, THE 4TH APRIL, 1959.

298. The Committee sat from 15.00 hours to 16.15 hours.

PRESENT

Prof. N. G. Ranga—*Chairman.*

MEMBERS

2. Shri Arun Chandra Guha
3. Shri N. R. M. Swamy
4. Pandit Jwala Prasad Jyotishi
5. Shri Rameshwar Sahu
6. Shri Upendranath Barman
7. Shri Prabhat Kar
8. Shri Raghubar Dayal
9. Rajkumari Amrit Kaur
10. Shri Amolakh Chand
11. Shri T. R. Deogirikar
12. Shri S. Venkataraman
13. Shri M. Govinda Reddy
14. Shri Rohit Manushankar Dave
15. Shri M. Basavapunnaiah.

Shri P. C. Padhi—*Additional Deputy Comptroller and Auditor-General (Railways).*

Shri P. V. Raghava Rao—*Director of Audit, F.R.S.C.S.&M.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

299. The Committee considered their draft 15th Report on the Appropriation Accounts (Railways), 1955-56 and 1956-57 and Audit Reports (Railways), 1957 and 1958 and approved the same with certain minor modifications here and there.

The Committee then adjourned.

APPENDICES

APPENDIX I

Statement showing action taken or proposed to be taken on the previous recommendations of the Public Accounts Committee (Railway Accounts)

Sl. No.	Reference to para No. of Report	Ministry/ Department concerned	Particulars of the item	Remarks of Ministry	Comments of the Committee
1	2	3	4	5	6
			SEVENTEENTH REPORT		
1	5(XVII) Introduction	Railways Finance	An early decision should be arrived at in the matter of action to be taken when expenditure had been incurred without the sanction of the competent authority and *ex-post-facto* sanction thereof was refused by the Ministry of Finance or the Finance Branch of the Railway Board's Office, as the case may be, as suggested by the Committee in para 5 of their Thirteenth Report (1954-55).	The procedure in this matter is being evolved by the Ministry of Finance [Appendix XXIIof Vol. II of Fourth Report (2nd Lok Sabha).] A note has been submitted by the Ministry of Finance.	The matter is under consideration of the Committee separately.
2	8(XVII)	Railways	Proper vigilance on the use of savings for the commencement	This recommendation is linked up with the general question	Ditto.

1	2	3	4	5	6
			of any new work not contemplated in the original budget should be exercised.	raised in para 10 of the 13th Report of the Committee which is under consideration by the Ministry of Finance in consultation with the other Ministries and the Railway Ministry would await the decision [See Appendix XXII of Vol. II of IV Report (2nd Lok Sabha).]	
3	9(XVII)	Railways	The question of recovery of the freight amounting to Rs. 10 lakhs paid in excess to the Indian Company as commented upon in para 8 of the Audit Report (Railways) 1955 has been very much delayed. It should be pushed to an early decision and a detailed note submitted to the Committee as soon as the settlement with the firm has been arrived at.	Note received (Appendix VII)	Please see paras 113 and 114 of Report.
4.	23 to 28 (XVII)	Do.	The Committee should be informed of the result of the claim for compensation from the manufacturers for the	Earlier note from the Ministry is at Appendix XXV of the Fourth Report (2nd Lok Sabha). Further notes received—Ap-	Please see paras 115—119 of Report.

			supply of defective cylinders to be lodged by the Director-General, India Store Department, London.	pendices VIII and IX.	
			The Committee are surprised that this reputed firm of manufacturers should advance the absence of a formal guarantee clause in the agreement as an argument for repudiating the claim for defective supply of cylinders as under the established custom and usage in trade, the manufacturing firm was bound to deliver supplies which were free from defect.		
			As regards the responsibility of the Consulting Engineers in the above case and of the other firm which supplied cylinders direct to the Chittaranjan Locomotive Works, the Railway Board should examine the legal aspects of the matter in consultation with Director-General, India Store Department, London, and take further action to claim compensation from them.		
5.	52 (XVII)	Railways	The action taken against the officials who were responsible for working out, proposing	In continuation of Ministry of Railways' Memorandum dated 4th November 1957 regarding	Please see paras 120-121 of Report.

1	2	3	4	5	6
			and accepting the erroneous assessment of the number of cleaners required in the Loco Running Sheds, which resulted in an excess expenditure estimated over Rs. 2 lakhs, should be intimated to the Committee.	action taken on recommendation No. 17 (on excessive number of cleaners engaged in the Loco Running Sheds of the Northern Railway) of the 17th Report (1st Lok Sabha) of the Public Accounts Committee, it is stated that the following disciplinary action has been taken against the three gazetted officers found responsible for the lapse in that case :— (*i*) The penalty of censure has been imposed on one officer; (*ii*) The second officer having retired from service, 5% of the special contribution to his provident fund has been withheld; and (*iii*) The Board's displeasure has been communicated to the third officer. 2. The non-gazetted staff found responsible for the lapse in that case have been penalised as detailed below:—	

			(i) The penalty of withholding of the next increment for a period of two years, without effecting his future increments, has been imposed on the sub-head concerned; and (ii) the accountant concerned, having proceeded on leave preparatory to retiring from service, it has been decided to withhold 15% of Special Contribution to his Provident Fund. This has been seen by Audit.	
6.	69(XVII)	Railways	The Committee would draw the attention of the Railway Board to the recommendations made by the Railway Convention Committee of 1954 in para 25(b) of their Report and emphasise that the Railway Board should urgently look into the matter of assessment of rent in regard to the class III and class IV staff quarters and thus ensure that a fair return of rent commensurate with the capital cost is obtained on all residential buildings.	Note received (Appendix XXV) Further developments of Vol. II of Fourth Report awaited. (2nd Lok Sabha). The question is being examined by the Railway Board.

1	2	3	4	5	6
7	70(XVII)	Railways	A report about the amount of claim on account of repairs and maintenance charges recoverable in respect of vehicles reserved for the exclusive use of the Ministry of Defence as outstanding on 31st March 1956 and the steps taken to ensure recovery thereof should be furnished to the Committee in due course.	A sum of Rs. 5,58,833/8/- representing repairs and maintenance charges (plus interest and depreciation charges) excluding those for Inspection Carriage No. RA24 was outstanding against the Ministry of Defence on 31st March 1956 as detailed below :— (*a*) Eastern Railway Rs.2,76,468/11/- (*b*) Northern Railway Rs. 1,36,679/10/- (*c*) Western Railway Rs. 1,45,685/3/- Rs. 5,58,833/8/-	No. comments.
				The Eastern and Western Railways have adjusted the amounts since then. The claim of the Northern Railway for the amount of Rs. 1,36,679/10/- still remains to be adjusted. Claims have already been preferred against the Defence Department. As regards RA24, the matter is under reference with the Eastern and Northern Railways. This has been seen by Audit.	

8.	71(XVII)	Railways .	The Committee should be informed of the steps the Railway Board contemplate to effect recovery of Rs. 1·07 lakhs outstanding from a firm of contractors which was working the Shillong outagency on the Old Assam Railway.	Note received. (Appendix XXIX) of Vol. II of Fourth Report (2nd Lok Sabha). Negotiations with the firm started with a view to settle the matter. Further Note at Appendix X.	See paras 122 & 123 of Report.
9.	72(XVII)	Do.	In the interest of current work, the Railway Board should evolve an *ad hoc* procedure in consultation with Audit whereby the following arrears which date back to ten years or so and which are not readily susceptible of verification with the vouchers in the Accounts Department at such a distant date can be liquidated : (*a*) Incomplete and inaccurate posting in Works Registers remaining to be set right; (*b*) Reconciliation of Accounts Office Works Registers with Departmental Works Registers to be completed;	Necessary instructions to the North Eastern Railway Administration have since been issued.	No comments.

1	2	3	4	5	6
			(c) Rectification of the differences revealed by the reconciliation of Accounts Office Works Registers with Departmental Registers.		
10.	80(XVII)	Railways	The Committee look forward to see further reduction in the scale of remissions in relation to the accruals of demurrage and wharfage charges as a result of the measures taken by the Railway Board.	As would be observed from para 67 of the App. Accounts Part I-Review for 1954-55 the percentage of remission has registered a further improvement from 20·54% in 1953-54 to 19·76% in 1954-55. Details of such figures would continue to be included in the App. Accounts [Appendix XXII of Vol. II of Fourth Report (2nd Lok Sabha).] The details of demurrage and wharfage charges are being included in the Appropriation Accounts Part I—Review and as such no further action on this item is due to be taken by Ministry of Railways.	No comments.
11.	81(XVII)	Railways Labour	The implications arising from the recommendations made by	Note received from Railway Board (App. XXXI) of Vol.	The Committee may be apprised as to when

			the Committee in the matter of amendment of the Payment of Wages Act to ensure the recovery of traffic debits from the station staff should be carefully examined at a n inter-Ministerial meeting and the matter expedited. In the meantime, the Committee should like to know the extent of improvement effected in the recovery of outstandings of traffic debits since the Committee last examined this matter.	II of 4th Report (2nd Lok Sabha Note received from Ministry of Labour states that the proposal for amendment of the Payment of Wages Act, 1936 to permit deductions for recovery of traffic debits (for loss on account of counterfeit or base coins and mutilated or forged note accepted by the staff) has neen included in the second batch of amendments which has been referred to the various interests concerned. Finalisation of the amendment will, however, take time.	Government propose to introduce a Bill to amend the Payment of Wages Act, 1936. The Ministry of Railways may state the improvements effected in the recovery of outstandings of traffic debits.
			FOURTH REPORT (SECOND LOK SABHA)		
12	5 (Introduction)	Railways W.H.&S.	The irregularities and financial losses referred to in paras 40 and 70 of the Report disclose laxity in the administration of Purchasing Organisations abroad. A tightening up of the Organisations and exercise of greater vigilance over all purchases of stores are very necessary at this juncture.	Note submitted by Ministry of Works, Housing and Supply Appendix XIV.	The Committee defer consideration of this matter till such time they next examine the Railway Accounts.
13.	7(Introduction)	Railways All Ministries	The Committee notice that inspite of repeated observations in the past, there are long de-	The Committee's observations have been noted in the Ministry of Railwyas. In future	No comments.

1	2	3	4	5	6
			lays in submission of Notes/ Memoranda by the Ministries. Such delays result not only in dislocating the programme of business of the Committee, but due to lapse of time, the criticisms and suggestions in respect of some of the vitally important procedural and financial issues lose much of their force.	every endeavour will be made to furnish notes/memoranda etc. with the least possible delay. Cabinet Secretariat (O & M. Division) have issued instructions to all Ministries.	
14.	9	Railways All Ministers	In the Committee's opinion the General Manager of the East Indian Railway had not only erred in his judgement in not paying attention to the objections raised by Audit in 1948 but had acted in an irresponsible way in continuing to make payments of large sums to the Company twice *i e.*, in 1951 and 1952. Equally, the Chief Accounts Officer erred in making these payments without the sanction of the competent authority, although in such cases provisional payments were not permissible under the Rules. The Com-	Note submitted—Appendix XI.	See paras 124-128 of Report.

			mittee consider that the Railway Board were not also blameless in the matter as they took nearly two years (July 1952 to January 1954) to reach a decision. Because of this delay the payment had to be continued for a further period of 2 years.		
15	13	Railways	The Committee deprecate the system of provisional payments as it involves a number of complications *e.g.*, difficulty in recovery of overpayments due to Payment of Wages Act, etc.	The Public Accounts Committee's observations have been noted in the Ministry of Railways and remedial instructions for the future have been issued.	No comments.
16.	16	Do.	The Committee are distressed to see the great negligence in appointing the eight hamal's in Western Railway although according to the terms of contract the work was to be performed by the contractor. The Committee learn that the disciplinary aspect of the case is under examination of the Railway Board and they would like to point out in this connection their oft-repeated observation that disciplinary	Note received—Appendix XV.	No comments.

1	2	3	4	5	6
			action to be effective must be prompt and speedy.		
17.	18 & 19	Railways	The Committee feel that undue emphasis on previous experience of contractors would cut across the very principle of inviting open tenders and by shutting out all newcomers, it would tend to create monopolistic tendencies. The Committee trust that the instructions issued by the Railway Board in January, 1956 in pursuance of para 72 of their Thirteenth Report would be strictly adhered to. The Board have impressed therein the need for allowing the prescribed period of notice for submission of tenders. The Committee desire that sufficient notice should also be given in cases where the specifications in a tender have	The Committee's observations have been brought to the notice of all the Railway administrations for their guidance.	No comments.

			undergone changes and fresh tenders called for in cases where the modifications are major in character warranting such a course.		
18.	22 & 23	Railways Central Standards Office.	The Committee ate surprised to observe that the safety margin of 1.25 tons for furnishings which was usually allowed in wooden coaches was not provided in the case of these metal coaches. It is regrettable that an expert Organisation like the Central Standards Office should have committed such a serious error in a matter which ultimately involved the safety of thousands of railway passengers. The Committee suggest that an investigation should be made into this case and responsibility fixed.	Note submitted—Appendix XVI.	The result of the investigation by the High Level Team of officers appointed to examine the case may be intimated to the Committee.
			The Committee also feel that the working of the Central Standards Office requires looking into.	The Central Standards Office is stated to have been re-organised and strengthened.	No comments.
19.	26—27	Railways	The Committee regret to observe that in this case, failure to take the ordinary precaution of	Note submitted--Appendix XVII.	The result of investigation in the matter of fixing responsibility

1	2	3	4	5	6
			settling the terms with the Colliery before construction of the sidings had resulted in an unsatisfactory situation. They would urge that the matter should be investigated and responsibility fixed for this omission, and for the inordinate delay in settlement. They would also like to be informed of the action that is being taken by the Ministry to effect recovery of Rs. 1,46,630 from the Colliery. The Committee expect that the change over to uniform rates for siding charges would be completed by the end of June, 1958 by which time they hope to take up examination of the next Railway Accounts.		for the omission to settle terms before construction of the siding might be communicated to the Committee.
20.	30	Railways	The Committee appreciate the need for encouraging Co-operative Organisations, but they feel that being a Commercial Department, the Railways should not ignore business principles.	Note submitted—Appendix XVIII.	No comments

			They are also distressed to see the long delays on the part of the Railway Board in taking decisions in this case and desire that the case should be settled without further delay.		
21	33	Do.	The Committee are surprised that some of the old concessions obtaining on the ex-State Railways are being continued even after three to four years after their integration. It is time the Railway Administration reviews the position completely and introduces uniformity in rates.	The circumstances under which the particular rate in question continued after the integration of the Saurashtra Railway have been given in para 32 of the Report. The rates and fares generally in force over the Indian Government Railways have already been enforced on all the Ex-State Railways, which have been integrated with the Government Railways. All Railways have now been instructed to review the position to ensure that no old concessional freight rates continue to be in force.	No comments.
22	36	Do.	The Committee desire that the Railway Board should examine the feasibility of taking over assisted and private sidings on the ex-Saurashtra Railway	Note received—Appendix XIX.	The Committee may be informed about— (*i*) the result of exmination regarding

1	2	3	4	5	6
			(now merged in Western Railway) from the Bombay State and bringing them under the control of the Railway Board.		recovery of dues for the earlier periods for each siding ; and (*ii*) the action taken to dismantle sidings not in use and using the materials elsewhere.
23	38-39	Railways	The Committee feel that obviously the economic utilisation of Railway stocks should be the responsibility of the Railway Board. The Committee are surprised that in spite of the suggestion of the Deputy Chief Engineer to curtail unnecessary wagon-movements as early as 1952, the Railway Administration did not take any steps to stop the infructuous expenditure and was dilatory in dealing with the matter. They desire that the Railway	The Public Accounts Committee's views have been noted in the Ministry of Railways It may, however, be stated in this context that the details of the daily operation position in respect of all the Indian Railways are received in the Ministry of Railways and are minutely scrutinised. The performance on various sections, yards, areas and transhipment points is studied and directions are issued as found necessary for expediting the movement and economic utilisation of rolling stock.	No comments.

Board should impress upon the Railway Administration the need for prompt action which would go a long way in avoiding unnecessary expenditure.

Apart from the coal and goods loading, the movement of loaded and empty wagons is also watched and constant touch maintained with the Railway Administrations.

The Ministry of Railways have recently issued instructions to all the Railway Administrations that while siting new depots, care should be taken to choose such sites, so that avoidable double movement or cross movement of the stores is minimised. The Railway Administrations have been also directed to ensure that as far as possible materials are consigned direct to the site of the works where they are to be utilised or to a depot nearby.

As a result of these steps, it is hoped that the chances of a recurrence of such unnecessary haulage of Permanent Way material etc. as referred to by the Public Accounts Committee would be obviated to a great extent.

1	2	3	4	5	6
24	44	Railways	The Committee observe from the Audit Report that in this case a visual examination revealed the casting defects. They are therefore led to conclude that the inspection carried out by the firm in London at the time of purchase was perfunctory. The Committee desire that the matter should be pursued further and responsibility fixed. The Committee wish to emphasize that the relevant clauses in the contracts should be tightened up further so as to fully safeguard the tax-payers' money.	Note received. Appendix XX	*See* remarks against Serial No. 12 *ibid.*
25	45	Do.	The Committee desire that the cases referred to in para 20 of the Audit Report 1956—should be progressed without any further delay and the result of the investigation communicated to them. They	The recommendation of the Public Accounts Committee has been noted. Action on all the cases referred to in para 20 of the Railway Audit Report 1956 is being progressed and the results will be	*See* paras 129 and 130 of the Report.

			also emphasize that cases involving disciplinary action should be disposed of quickly.	communicated to the Committee as soon as each case is finalised. Notes received. Appendices XII and XXI.	
26	47	Railways	The Committee would like to be apprised of the settlement of the case mentioned in para 21 of the Audit Report, in due course.	Memo. submitted. Appendix XXII.	The result of the correspondence with the Andhra Government regarding settlement of outstandings may be communicated to the Committee.
27	6 (Introduction) and 65	Do.	It is stated in the Tariff Commission's report that according to an experienced British firm the total ex-works cost of a YP locomotive is normally 76 per cent of a WG locomotive. The Committee trust that applying this formula, 76 per cent of the cost of a WG locomotive manufactured in Chittaranjan would form a reasonable basis for fixation of prices of Telco locomotives during the price periods from 1-4-58 onwards.		*See* paras 131—133 of Report.
28	68	Do.	The Committee see no reason to change their previous con-	Note submitted. Appendix XXIII.	The Committee are not satisfied with the ex-

1	2	3	4	5	6
			clusions in this case (purchase of the Barsi light Railway). The Committee observe that in this case either proper thought was not given to this matter before the date of expiry of the date for giving notice to the company and the failure to do so was noticed late or the right of the Railway Board to put in a claim was overlooked.		planation. They trust that such cases will not recur in future.
29	74	Do.	The Committee find it difficult to arrive at the correct position in the absence of proper records. They have previously drawn attention to the necessity of keeping proper records of all decisions in the absence of which responsibility cannot be fixed when losses are incurred, *vide* their 23rd Report, Appendix I, item 15.	Action on this recommendation will be finalised by the Ministry of Works, Housing and Supply. Note received from Ministry of W. H. & S. Appendix XXIV.	No comments.
			The Committee can do no more	The Ministry of Works, Housing	No comments.

			than reiterate their earlier recommendation in this case.	and Supply have stated that the recommendations of the Committee have been brought to the notice of all concerned for compliance and guidance.	
30	79	W. H. & S.	The Committee would urge that this aspect requires greater consideration as in the context of the Plan, purchases of stores abroad for the projects would go up to record figures and unless the indenting departments are vigilant, there is the risk of defective stores or stores of inferior quality being received.	The Ministry of Works, Housing and Supply have issued instructions pointing out the need for tightening up the procedure and informing the indentors/consignees as to their rights and obligations in the matter of claiming replacement of defective supplies.	No comments.
31	81	Railways/ W. H. & S.	The results of the inquiry conducted by the Ministry reveal that the whole case was being dealt with by a very junior official locally recruited who not only exceeded his authority but also encroached upon the functions of other officials. The Committee cannot help observing that the Head of the Supply Mission who had since resigned was responsible for this	The recommendation has been noted by Ministry of Works, Housing and Supply.	No comments.

1	2	3	4	5	6
			state of affairs by allowing his sub-ordinate to have things in his own way, quite oblivious of his own overall responsibility.		
32	82	Railways	The Committee observe that there was great delay in finalising this case and would like to impress for future the need for prompt action in such cases.	Necessary instructions have already been issued to all the Railway administrations to hold an immediate departmental enquiry with a view to fix responsibility for the lapse as soon as any case of fraud, negligence, financial irregularity etc. is noticed by them; and to finalise forthwith the disciplinary action against the defaulters. These instructions are being reiterated to Railways. The Officers of the ex-Saurashtra Railway have since been dismissed.	No comments.
33	84	Railways/ W. H .& S.	The Committee desire that the question of claiming damages from the manufacturers for delay in delivery should	The Ministry of Railways have stated that action on this recommendation will be finalised by the Ministry of	*See* paras 134—136 of Report.

be looked into. They regret to observe that although more than 20 months had elapsed, the Ministry of W. H. & S. have not finalised action on this. The Committee wish that this case should be pursued expeditiously.	Works, Housing and Supply. Note received from Ministry of Works, Housing and Supply. Appendix XIII.	

APPENDIX II

Summary of main Conclusions/Recommendations of the Fifteenth Report of the Public Accounts Committee on the Appropriation Accounts (Railways), 1955-56 and 1956-57 and Audit Reports thereon.

S. No.	Para No. of the Report	Ministry or Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	8 (Introduction)	Railways .	The absence of standard rates of siding charges had resulted in endless disputes with the Siding Owners and consequent delays in recovery and loss.
2	9 (Introduction)	W. H. & S. .	Government should take urgent steps to review the procedure for purchase of stores both in India and from abroad in the light of their past experience and tie up the loose ends.
3	4	Railways	The cases in which the Ministry of Railways obtained Supplementary Grants from Parliament during the years 1955-56 and 1956-57 although they did not spend even their original appropriation disclose lack of proper planning and control over the progress of expenditure. It was surprising how despite the "Liability Registers", the Ministry of Railways were not in a position to assess their total requirements accurately and regulate their supplementary demands accordingly.
4	5	W. H. & S. Railways	If the purchasing organisations abroad furnished reports regarding the availability of stores and shipments to the indenting Ministries every fortnight from the end of January and weekly reports in the month of March, it would keep the indenting Ministries informed of the latest supply position and enable them to estimate their

1	2	3	4
			financial commitments more precisely. The Committee, therefore, suggest that the Ministries of Railways and Works, Housing and Supply might examine this suggestion and evolve a procedure in this regard.
5	6	Railways	Government should refer the question of allocation to and from Railway Revenue Reserve Fund to the next Convention Committee so that they could indicate the precise scope of their recommendations *vis-a-vis* works in progress.
6	10	Do.	The Committee regret to observe that the Railway Administration, one of the biggest Departments of Government entering into a number of contracts with private parties, should have overlooked the recommendation contained in para 68 of their 10th Report (1953-54).
7	12	Do.	The Committee desire that the Railway Board should expedite the question of disciplinary action against the staff who were responsible for the incorporation of the liberal provision for two separate pyaments in the agreement for handling work at Arkonam Station as the matter has already been considerably delayed and the findings of the Enquiry Committee furnished to them.
8	14	Do.	The Committee hope that the Railway Board will pursue the question of damage to and deficiencies of stores and fittings in the wagons returned by certain colliery sidings vigorously with the Siding Owners Association and arrive at a settlement without loss of time. They would also like to be informed of the final settlement and the total recoveries effected from the Collieries on this account at an early date.
9	17	Do.	The Committee regret to observe the laxity shown by the Railway Administration in the matter of prompt recovery of rent for Railway land leased

1	2	3	4
			to outsiders at a number of station areas such as Shalimar, Garden Reach and Cuttack. In their opinion, action to forfeit the security deposits should have been taken when the lessees defaulted consistently for years. The Committee trust that the Railways will ensure the prompt recovery in all such cases in future.
10	21	Railways	The Committee deprecate the inordinate delay on the part of the Railway Administration in fixing the basis for calculation of siding charges from the oil company concerned, which resulted in an accumulation of heavy outstandings. As a commercial undertaking, the Railways should be businesslike in their transactions and prompt and quick in their settlement. Such unconscionable delays not only reflect on the working of the undertaking but make the chances of recovery more remote, thus depriving the Railways of their legitimate dues. The Committee trust that the Railway Board will issue necessary instructions in the matter for future guidance.
11	24	Do.	The Committee would like to know the final decision of the Government in the case referred to in para 11 of Audit Report, 1957 regarding outstanding freight bills against a firm on South-Eastern Railway as well as the remedial measures which the Railway Board have taken to obviate the recurrence of such irregularities.
12	28	Do.	(i) The time-lag of one year in communication of the revised siding charges to the siding owners on the Western Railway was excessive in relation to the work involved. The Committee would suggest an enquiry into the case with a view to finding out the precise reasons for the delay. If the delay was due to neglect of duty, suitable action against the officials at fault would be necessary.

1	2	3	4
	29		(*ii*) Even granting that some delay was inevitable the Railway Administration should have taken steps to caution the siding owners in time about the contemplated revision and communicate the actual amount payable after making necessary calculations as was done at the time of second revision. Such a course would have avoided the controversy over the date of effect of the revised rates and facilitated the recovery. The Committee desire that this suggestion be examined by the Railway Board and a procedure evolved to be followed by all the Railway Administrations in such cases of revision of siding charges in future.
13	31	Railways	The Committee welcome the assurance given by the Railway Board that the work of standardisation of siding charges will be completed by the 1st April, 1959. While they appreciate the difficulties in devising a uniform pattern, they are firmly of the opinion that with the integration of all the Railways into a single system nearly a decade back, the disparities in the levy of siding charges is an anchronism causing complications and endless disputes depriving the Railways of their legitimate dues. They, therefore urge that the matter should not be delayed further and the date mentioned above adhered to.
14	36	Railways	The delay of about three months in the introduction of revised rates for goods traffic on the Eastern-Railway which resulted in loss of earning of approximately Rs. 10,000 was more serious as it placed the Administration in the embarrassing position of not giving effect to a proposal as approved by Parliament. The Committee trust that in future, the Railway Board will see that all tariff proposls are given effect to as approved by Parliament and the machinery should be geared accordingly.

1	2	3	4
15	39	Railways .	(*i*) The Committee deplore the delay in taking disciplinary action against the Inspector of Works who failed to obtain receipts of the stores from the contractor who was awarded a labour contract to the value of about Rs. 50,000 for the construction of staff quarters on the North-Eastern Railway.
	40		(*ii*) So far as the general question of the custody of materials-at-site is concerned, the Committee consider it important that the responsibility for the safety of materials-at-site should be well defined in unequivocal terms, if it has not already been so defined, and instructions be issued to the officials concerned that the rules prescribed in this matter should be strictly complied with.
16	47	W. H. & S. .	(*i*) If the award of a second contract to the same firm which had failed only about three months ago to fulfil the first contract placed on it, as had happened in the cases referred to in paras 41—46 of the Report, is indicative of the working of the Directorate General, Supplies and Disposals, the Committee consider that Government will be well-advised to examine this matter further. In their opinion, the present case merits an enquiry with a view to finding out the loose ends and also fixing responsibility.
	48	W. H. & S. .	(*ii*) In the case regarding supply of 'Kanju Logs' to the North-Eastern Railway, referred to in para 14 of Audit Report, 1958, the D.G. S.&D. failed to take proper action on receipt of the inspection reports which clearly indicated that at one place there was no material, while at the other the timber was below specification. Had the D. G. S. & D. taken up the matter with the contractor immediately regarding his inability to produce the goods for inspection, the contractor's statement that no inspection had been carried out, could have been verified. It was a regrettable omission on the part of the D. G. S & D.

1	2	3	4
	49	W. H. & S. .	(*iii*) Again it was a mistake on the part of the D. G. S. & D. to have extended the date of delivery of 'Kanju Logs' on his own without a request from the supplying firm. In the context of the firm's rejecting the extension, the correctness of the procedure of giving extensions unilaterally is open to question.
	50	Railways .	(*iv*) The Committee feel that the action of the Inspector in the case referred to in para 15 of Audit Report (Railways), 1957 in not having actually gone to any place to inspect the material lacked justification and disciplinary action against him was called for.
17	54	Railways	The case of unnecessary movement of tie bars to Kosi Kalan from Kanpur discloses lack of proper planning and foresight in deploying supplies. The Committee trust that suitable instructions will be issued to the Engineering Divisions to avoid recurrence of such cases.
18	60	Railways .	(*i*) While the Committee appreciate the difficult conditions under which the work regarding doubling of Delhi—Agra Section of the Central Railway was executed by the Railway Administration, they are disturbed to find that no attempt had been made to provide the necessary accounting personnel for the maintenance of Accounts of permanent way material. The Railway Board should ensure in future that all the different wings of the administrative apparatus are properly manned before undertaking even emergency works.
	61		(*ii*) Computation of loss of material in terms of percentages is apt to mislead inasmuch as it overlooks the magnitude of the loss.
	62		(*iii*) It is obvious that no check was exercised by the Divisional Engineer over the consumption of permanent

1	2	3	4
			way materials in the course of doubling and re-laying of track on Delhi—Agra Section during 1948--51. In the opinion of the Committee, the Railway Board should pursue this matter seriously.
19	66	Railways	The Railway Administration did not include spare parts in their indent for the earth moving machinery for the Ganga Bridge Project. They also overlooked the advice given by D. G. S. & D. for the inclusion of some spare parts in the indent for the machinery. The Committee regret to observe that on both the occasions the Railway Administration betrayed lack of planning and fore-thought, which resulted in a loss to the extent of Rs. 1·09 lakhs on this account. The Committee trust that the Railways will profit by this experience in future.
20	70	Railways Law	The Central Government should examine in consultation with the State Governments the feasibility of cutting out delays in the land acquisition procedure.
21	74	Railways	In case where a siding is to the mutual benefit of both the Company and the Railways, the decision regarding levy of siding charges should be fair and not at the cost of the exchequer. The Committee desire that the matter should be reviewed by the Railway Board in the light of their observations.
22	79	Railways Commerce & Industry.	The Committee were assured that within a couple of months, the question of payment of siding charges by the Sindri Fertilizers and Chemicals, Ltd. reported in para 11 of Audit Report, 1958 would be settled. They, however, regret to observe that a report on future progress is still awaited.
23	82	Railways	The Committee regret to observe that the Railway Administration as a commercial concern, had not taken the elementary precaution of informing the

1	2	3	4
			Jabalpur Municipality that pending finalisation of a new agreement, the payment for water supply should be treated as on a provisional basis, when the old agreement had already expired. The Committee desire that the matter should be investigated by the Railway Board and responsibility fixed for the delay at the different stages and for the failure to warn the Municipality in time that the payments during the interregnum were provisional.
24	88	Finance Railways	The Committee attach great importance to centralised purchasing, as it would be economical to Government in the long run and the mechanism should, therefore, be so geared as to meet all demands. The Committee trust that the Ministry of Finance will address themselves to this aspect.
25	91	Railways	The "emergency" which has been ascribed as the reason for direct purchase of buffer outer cases by the Central Railway was, in the opinion of the Committee, the result of the inactivity of the Railway Administration for nearly one year. The purchase at a higher rate was also of doubtful advantage, as the supplies started nearly one year after the date of acceptance of the tender. This is yet another case where the Railway Administration resorted to direct purchase—bypassing the D.G.S.&D.— at double the price quoted by the lowest tenderer.
26	95	W.H.& S.	Strict instructions should be issued to all Officers negotiating contracts that they should not exceed the powers delegated to them and deterrent action should be taken against those who are guilty of any such breach.
27	97	Railways	The Committee would like to be apprised of the price settlement reached in the case of supply of inferior quality brushes together with the financial effects thereof.

1	2	3	4
			In the light of the finding of the joint enquiry Committee, the Committee are constrained to observe that the earlier stand taken by the D.G.S. & D. was not justified.'
28	101	Railways' .	(*i*) The Committee are surprised at the delay of over 6 years in disposing of the unwanted stock of 'Kamblis'. Had prompt action been taken soon after the decision of the General Manager, Western Railway to resume the supply of blankets in February, 1952, the net loss could have been considerably reduced.
	102		(*ii*) As the Railway system is now integrated, it is advisable to examine the different practices followed by the different Railways with a view to introducing uniformity in all possible matters. The Committee would like to be informed of the progress made in this matter in due course.
29	105	Railways .	The Committee trust that the Railway Board will ensure that the Railway Administration follow their instructions and take all precautions before making any payments, whenever the legality of such is in doubt.
30	108	Railways . C & A. G.	(*i*) The Committee consider that the position regarding the preparation of Completion Reports has worsened as indicated by the number of outstandings. The Railway Board should pursue the matter vigorously with the Railway Administration and expedite clearance of the back-log of arrears as early as possible.
			(*ii*) The Committee would like to be apprised of the progress made in the preparation of Completion Reports by the different Railway Administrations through subsequent Audit Reports.
31	111	Railways . C & A. G.	The Committee trust that the Financial Commissioner, Railways will impress

1	2	3	4
			upon his Accounting Officers the importance of producing vouchers and returns called for by Audit without any delay. They desire that the Comptroller and Auditor-General should report on the improvement in his subsequent reports.
32	114	Railways ——— W.H.&S.	The Committee trust that steps will be taken to ensure in future that when substantial sums of money are involved, the terms of the agreement are always negotiated with legal guidance.
33	119	Railways	The Committee cannot refrain from observing that the high-level officers who were responsible for weakening the Government claim against the firm concerned, which supplied defective cylinders (cf. paras 23—28 of the 17th Report of the P. A. C.), in this manner, did not act in the best interest of Government. The Committee do not know whether the Railway Board have jeopardised their claim against the Consultants also. If not, they desire that the claim should be taken up with the Consultants.
34	121	Railways	The Committee await the review of the disciplinary action taken by the Railway Board against the higher officers responsible for wasteful expenditure due to excessive sanction of cleaners in the Loco Running Shed of an ex-E.I. Railway (now in Northern Railway).
35	123	Railways	The Committee would like to be informed of the final outcome of the recovery of Railway dues from the commercial concern referred to in para 71 of the Seventeenth Report of P. A. C.
36	127	Railways	(*i*) The Committee are unable to accept the plea that the Audit objection regarding provisional payments made by the East Indian Railway Administration to the Howrah-Sheakhala Light Railway Company related only to the quantum of the payment and not to the propriety

1	2	3	4
			thereof. In the Committee's opinion the responsibility for the avoidable payment to the Howrah-Sheakhala Light Railway Company lay squarely on the Railway Administration and the Railway Board.
	128		(ii) The Railway Board should review the powers to make provisional payment delegated to the Railway Administrations, tighten up wherever necessary, and take deterrent action where the powers are exceeded or exercised without the prior sanction of the Railway Board.
37	130	Railways	The Committee consider that the punishment of 'censure' proposed for the Deputy Financial Adviser and Chief Accounts Officer who were responsible for the over-payments made to casual labour on the Western Railway, is rather mild.
38	133	Railways	The Committee were not convinced of the reasons for resorting to arbitration in the matter of fixation of price of locomotives supplied by TELCO after 1st April, 1958. Both the Tariff Commission and the Committee had recommended that the prices of locomotives supplied from 1st April, 1958, onwards should be settled in advance of the price period. The Committee desired that the Railway Board, having committed themselves to arbitration, should frame the issues for arbitration precisely to facilitate a decision quickly. The Committee regret to observe that even though it is nearly one year since the commencement of the price-period, the matter is pending still.
39	136	W. H. & S.	(i) The Committee deprecate the action of the I.S.M. and the Ministry of W.H. & S. in being lenient in the matter of exaction of penalties from the American and Canadian firms who delayed the delivery of locomotives. Such an attitude will reduce the penalty clauses of contracts to little more than an empty

1	2	3	4
			form of words. If penalty clauses are not invoked in time and the claims are allowed to lapse by efflux of time, there is a risk of contracting firms, parties etc. assuming that they can always disregard the limits of time in their contract with impunity. (ii) The Committee recommend that this is a fit and proper case in which responsibility for the failure to claim liquidated damages in time should be definitely fixed and appropriate action taken against the officials whose failure cost the Government Rs. 4·5 lakhs.

GIPND—LS1—57LS—23-4-59—1700